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War by Other Means

Western Sanctions on Russia and Moscow's Response

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“*War by Other Means* is required reading to grasp the dynamic of economic sanctions. Drawing on Western sanctions imposed on the Russian economy from 2014 to 2023, Borozna and Kochtcheeva provide a detailed and persuasive corrective to the dominant perspective that sanctions undermine target countries. This book convincingly shows that sanctions have had unintended consequences on the Russian economy, which remained resilient through geostrategic posturing to the East. The War by Other Means is required reading to understand economic sanctions.”

—Immanuel Ness, *Chairperson and Professor of Political Science, Brooklyn College, NY, author of* Sanctions as War and Migration as Economic Imperialism

“*War by Other Means* is an outstanding contribution to the literature on this increasingly important form of economic and political warfare. In this important work Angela Borozna and Lada Kochtcheeva provide a comprehensive and balanced analysis of the role of sanctions in the contemporary era including the role played by trading partners in enabling Russia’s response, the economic and political impact of sanctions on Russia, and the implications of sanctions for the rest of the world.”

—Alan W. Cafruny, *Henry Bristol Professor of International Affairs, Department of Government, Hamilton College, USA, author of* The Political Economy of the Pandemic: National and Global Perspectives

“*War by Others Means* is an important study which shows how Russia has survived being the most sanctioned country in the world by reorienting its trade towards the East and through import-substitution policies and investment in local industries. The U.S. has imposed continued waves of sanctions on Russia since 2012, but these sanctions have not altered Russia’s foreign policies or helped undermine the Putin government as they were intended. Instead the sanctions have helped fortify Putin’s hold on power as he is seen by most Russians as having protected Russian interests in the face of a form of foreign aggression whose purpose is to collapse Russia’s economy and weaken the country, reducing it to vassal status of the West. The sanctions have caused even more damage to Germany than Russia because of Germany’s dependence on Russian natural gas and oil imports and helped accelerate a process of de-dollarization, which is undermining U.S. global economic power. Angela Borozna and Lada Kochtcheeva have done their homework and provide extensive data to back up their expert political-economic analysis, which points to a failed public policy by the U.S. that is having ripple effects on the global economy and helping to accelerate the transition to a multi-polar world order.”

—Jeremy Kuzmarov, *author of* The Russians are Coming, Again: The First

Cold War as Tragedy, the Second as Farce, *with John Marciano (Monthly Review Press, 2018)*

“In this outstanding book Angela Borozna and Lada Kochtcheeva explore the paradox of sanctions as a foreign policy tool. Their carefully researched and balanced examination of the case of Russia suggests that rather than driving regime change sanctions are more often seen by the population as an unjust form of collective punishment and national security threat that leads to confrontation with the West. While the long-term effect of sanctions on Russia is yet to be determined the authors show that the Russian economy has proven far more resilient than anticipated. The broader implication of their analysis is that economic coercion by sender states risks undermining the very mechanisms that they rely on for their success—excessive supply chain control and dollar hegemony—as target states and their allies develop alternative financial and legal instruments. ‘War by Other Means’ is timely contribution to the growing sanctions literature that urges policy adjustment to new geopolitical realities.”

—Dr. Ksenia Kirkham, *Lecturer in the Department of War Studies, King's College London*

To our families, for their love and support

Competing Interests

The authors have no conflicts of interest to declare that are relevant to the content of this book.

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1. Introduction

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Abstract
In this chapter, Borozna and Kochtcheeva demonstrate that the sanctions imposed on Russia following the annexation of Crimea in 2014 and the conflict in Ukraine in 2022 stand out due to their rapid implementation and extensive coverage, targeting various aspects of Russia's economy and political establishment. What makes them unique is not only their swiftness and scope but also that for the first time in history, the most comprehensive sanctions were imposed on the largest country in the world, a permanent seat on the UN Security Council, and the world's largest nuclear arsenal. The West pursued multiple goals in the imposition of sanctions on Russia. The leading goals were to change the country's behavior, isolate it from the international economy and hinder Russia's ability to obtain the capital and materials; contain and punish the country by significantly weakening Russia's economy, depriving it of crucial technologies and markets, and curbing its ability to wage war. This unprecedented use of sanctions against a major global player reflects a shift in international politics and has far-reaching economic and geopolitical implications, impacting global diplomacy and energy markets.

Keywords Sanctions – Russia – Russian economy – Smart sanctions – Instrument of foreign policy – Economy – Coercion – Import substitution – Non-military pressure – Economic deprivation – Containment – Regime change – War – Confrontation – Social implications – Securitization

Following Russia's annexation of Crimea and its involvement in the conflict in eastern Ukraine in March 2014, sanctions became a primary instrument employed by Western countries to exert pressure on Russia. The aim of the Western sanctions since 2014 was mainly to change Russia's policy toward Ukraine. The severity and the scope of sanctions increased as the conflict intensified. In response to Russia's Special Military Operation (SMO) in February of 2022, the collective West once again responded with the policy of sanctions—only this time, the United States and its allies imposed unprecedented in number and depth sanctions, reflecting an intensification of economic pressure and coercive measures, similar to the impact of a wartime economic blockade. By November 2023, Russia emerged as the most sanctioned country in the world, with more than 3,119 Russian companies and 9,669 Russian individuals on the list of Western sanctions (Russia Sanctions Database, 2023).

The West pursued multiple goals in the imposition of sanctions on Russia. The leading aims were to change the country's behavior, isolate it from the international economy and hinder Russia's ability to obtain foreign capital and materials; contain and punish the country by significantly weakening Russia's economy, depriving it of crucial technologies and markets, and curbing its ability to wage war (Council of E.U, 2022; Dubinin, 2022; Harrell, 2023; Kosachev, 2023; U.S. Department of Treasury, 2023a). The sanctions included all known types of non-military pressure used before, such as a wide range of financial, trade, transportation, logistics, travel, and other restrictions, as well as "smart sanctions" (Cortright & Lopez, 2002). The 2022 sanctions on Russia encompassed all major sectors of the Russian economy. The deployment of comprehensive sanctions by the West against Russia after February 2022 is compared by analysts as similar in quality and quantity to the "economic carpet bombing" (Timofeev, 2022a) or "a weapon of mass destruction" (Gerasimov et al., 2023). However, another implicit goal was to inflict sufficient pain on the Russian population to produce public discontent that would pave the ground for a regime change in the Kremlin or even a breakdown of Russia as a state. The coalition of sanctioning states employed severe economic pressure against Russia, anticipating that the economic disruption caused by the coercion would endanger the legitimacy and authority of the regime. The hopes of Russia's breakdown are reflected in American think tanks' reports. Thus, Hudson Institute spearheaded a study, "Preparing for Dissolution of Russia" (Hudson Institute, 2023), while RAND published a study in 2019, "Overextending and Unbalancing Russia: Assessing the Impact of Cost-Imposing Options," which

“examines nonviolent, cost-imposing options that the United States and its allies could pursue across economic, political, and military areas to stress—overextend and unbalance—Russia’s economy and armed forces and the regime’s political standing at home and abroad” (Dobbins, 2019).

While sanctions as an instrument of pressure have been used extensively since WWI, what distinguishes sanctions on Russia in the wake of the annexation of Crimea in 2014 and the war in Ukraine in 2022 is not only the speed and scope of the imposed sanctions but also that for the first time in history, the most comprehensive number of sanctions were imposed on the largest country in the world with immense natural and human capital resources, the permanent member of U.N. Security Council, a former member of G-8, and a country with the largest arsenal of nuclear weapons in the world. Additionally, Russia is a major power fully integrated into the global economy, with many countries relying significantly on energy and resource supplies from Russia. Russia ranked as the eleventh largest economy in 2022 (ranked fifth in terms of purchasing power parity), which makes it a significant political, military, and economic actor in world affairs—a distinction that previous recipients of Western sanctions did not possess (World Bank, 2022).

Theoretically, sanctions as an instrument of foreign policy represent the best alternative to diplomatic and military measures to restrain the target (Hufbauer et al., 2009). Based on coercion, sanctions are aimed at achieving political goals and, as a deliberate foreign policy tool, are less costly than military intervention. Sanctions are a key practical embodiment of economic power employed to force individual states (target countries) to comply with the political requirements of the initiating countries (sender countries). In other words, sanctions aim to pressure and alter the behavior of a target state so it complies with the demands of the sender state (Afesorgbor, 2019; Bapat & Kwon, 2015; Galtung, 1967; Ghomi, 2022). The application of sanctions increased after the end of the Cold War when the United States emerged as a hegemon and achieved an exceptionally favorable position for using economic sanctions as an instrument of power. The global character of dollar payments allows U.S. financial authorities to track transactions around the world, limiting them where they conflict with their political interests. In a global economy and a US-centric financial system, blocking U.S. sanctions are likely to mean major losses or even collapse for large companies with any widespread active international activity (Timofeev, 2022c). Thus, as a foreign policy tool and an instrument of power, sanctions frequently reflect the disparity in economic power between the U.S. and other governments (Arnold, 2019; Beal, 2021).

Despite the increased use of sanctions as a foreign policy tool, literature on

sanctions effectiveness shows that they do not always lead to the desired effects, sometimes even producing opposite effects (Hufbauer et al., 2009). Although many analysts point out the ineffectiveness of sanctions (Elliott, 1997; Jerin, 2015; Jones, 2015; Kirkham, 2020; Siegel, 2022; Pape, 1997), the implementation of sanctions has increased since the 1990s (Morgan et al., 2014), and sanctions on Russia are among the latest examples of using sanctions as a foreign policy tool, i.e., employing economic power to achieve political goals.

The main objective of this book is to analyze the aims of sanctions on Russia and assess their effectiveness. Did sanctions succeed in achieving stated goals, and in what areas were their efforts futile? What are Russia's mechanisms for surviving the avalanche of sanctions? What are the implications of sanctions to the senders and the third parties? The proposed questions constitute the research problem of this book. This book goes beyond the traditional political economy perspective on sanctions. It examines the political nature of sanctions and responses to them, especially how the Russian government uses sanctions for securitization. The Copenhagen School argues that an issue can be securitized (framed as a security issue) by the political elite (a securitizing actor) by articulating it as an existential threat to a state. Framing issues as an existential threat allows the political elite to adopt extraordinary measures beyond conventional political processes (Buzan & Hansen, 2009). Thus, imposed sanctions became instrumental to those actors in Russia who have placed much suspicion on the actions of the West and even considered it an existential threat to the country. The avalanche of sanctions became a confirmation of the long-standing narrative in Russia that the West is determined to weaken Russia. Applying the language of security threats from sanctions allowed the Russian political elite to treat sanctions as a tool for strengthening domestic cohesion and gathering support against external threats. Therefore, the securitization of sanctions became an intrinsic part of Russia's adaptation mechanism to sanctions.

There are several major findings in the book. First, from the Western perspective, the close-knit consolidated imposition of a sweeping number of sanctions can paralyze the Russian economy and degrade its military, forcing it to abandon its aggression against Ukraine. Crippling sanctions can stop an inflow of revenue to the Russian economy, and stumble its productivity, innovation, and effectiveness, thus bringing Russia to its knees and making it more compliant with Western demands. Additionally, the proponents of sanctions believe that social frustration due to the economic damage may force Russia to change its foreign policy course. However, the sanctions proved to be ineffective as an instrument of foreign policy—they have not changed Moscow's

determination to continue its military operation in Ukraine and are unlikely to change it in the near future. Moreover, since Russia views its confrontation with the West as existential, the fate of Russia, its borders, its position in the world, and the very question of its further existence will be determined by the outcome of this confrontation. That is why Russia's ability to adapt to sanctions by securitizing them and reorienting itself toward the non-West became crucial.

Second, sanctions can be considered relatively effective in terms of inflicting additional costs to Russia's economic transactions. The West and its allies could not immediately crush the Russian economy, and the forecasts for the economy from international financial institutions are positive. However, the cost to the Russian economy can still be considerable, especially in the years to come. While the Russian government managed to maintain financial stability, including through the pre-arranged steps to create a sovereign financial infrastructure, shifting exports to new markets promises to be distressing and prolonged. Import substitution will be challenging, especially in the high-tech industries, yet in other sectors, it is gaining momentum, benefitting domestic producers. The crucial condition for reducing costs will be the creation of alternative channels for transactions with foreign countries.

Third, the ramifications of sanctions go far beyond the expected impacts on Russia, such as spillover impacts into neighboring countries, boomerang impacts on the sender states, and universal effects on the global economy. Sanctions on Russia resulted in a global reorientation of trade, finance, and transportation links and started creating new economic and political blocks.

Finally, the book points out the necessity to disentangle the rhetoric on sanctions in Western capitals from specific objectives of sanctions to make proper assessments of their effectiveness. It stresses the importance of assessing not only the economic and political effectiveness of sanctions but also Russia's perception of sanctions, their social implications, the mechanisms of Russia's adaptation to sanctions, and the implications of sanctions to the rest of the world.

The rest of the book proceeds as follows. Chapter 2 reviews the research on the types, goals, and effectiveness of sanctions in changing the foreign policy course of the target states and demonstrates that there is little evidence for sanctions' effectiveness in the literature. While target states often find ways to adapt, sanctions can backfire and make the senders also feel the pain. The review of the empirical literature suggests that economic sanctions are usually ineffective tools of coercive diplomacy. Often, target countries do not alter their foreign policy and maintain their political course. In most cases, sanctions cannot change the behavior of the targeted state due to the increased economic integration of the international system, the ability of the targeted states to find

alternative suppliers and markets, and become more independent and self-sufficient following the imposition of the sanctions. The literature on security shows how the discourse on sanctions can be securitized by the state and used as an instrument to mobilize the population to withstand the pain of sanctions.

Chapter 3 focuses on sanctions imposed on Russia in the wake of the Ukrainian crisis and Russia's annexation of Crimea in 2014. The chapter starts by discussing the aims of sanctions and analyzes the development and escalation of sanctions over time. The overall goal of the sanctions was to inflict sufficient damage to the Russian economy that would force the country's leadership to radically change its foreign policy. Western sanctions of 2014 targeted Russia's defense sector, Russian financial system, the export of goods and services, and the technology sector. Sanctions also targeted individuals operating in the Russian defense sector. The chapter also brings attention to mechanisms developed by Russia to withstand the sanctions. By turning to import substitution, cultivating closer relations with non-Western sources of technology and capital, and developing its strategic industries, Russia could provide itself with necessities in most sectors of the national economy. The book demonstrates that the main political goals of Western sanctions imposed after 2014 have not been accomplished, as Russia did not change its political course, did not leave Crimea, and did not make unilateral concessions. The Russian political system remained largely consolidated, while Moscow evaded political isolation, growing its customary connections further and developing new ones.

Chapter 4 demonstrates that Western sanctions imposed on Russia in 2022 differ significantly from sanctions in 2014–2021 in terms of their goals, scope, and depth. The sanctions imposed after 2022 aimed to isolate Russia from the international economy by blocking Moscow's ability to obtain foreign capital, materials, and technology that could support the war against Ukraine. Similar to the 2014–2021 sanctions, Russia's energy and defense industries became one of the main targets of the 2022 sanctions. The distinction between the two periods also lies in the level of risk that Europe was prepared to accept in 2022 in applying the sanctions, which involved weaning itself from Russian energy in a very short period. In the financial sector, by obstructing Russia's access to its foreign reserves shortly after Russia invaded Ukraine, the West anticipated that the Kremlin would have difficulty mitigating the effects of sanctions. The goal of freezing reserves was to spark a banking crisis, causing a collapse of the Russian ruble and, as such, to take away from the Russian government its main tool of managing its macroeconomy. The US and its allies also imposed unprecedented export control measures aimed at cutting off more than half of Russia's high-tech imports, restricting Russia's access to vital technological

inputs, atrophying Russia's industrial base, and undercutting Russia's strategic ambitions to exert influence on the world stage. By the end of the first year of Russia's war in Ukraine, the sanctions turned into an avalanche that impacted major industries and sectors of the Russian economy. The chapter highlights that one other anticipation among the senders of sanctions, not overtly written in the documents but stated by Western politicians, was to inflict hardship on the Russian population in hopes that the pain would create internal instability and lead to a regime change in the country.

After the discussion of the goals of the sanctions, the chapter brings attention to Russia's perception of the sanctions by presenting the views of Russian decision-makers, policy experts, academics, and other stakeholders. The discussion of Russia's perceptions is followed by an analysis of Russia's response to sanctions. Moscow employed an adaptation mechanism developed between 2014 and 2021, responded with a counter-sanction policy, and embarked on anticipating a new phase of sovereign development. Every new Western measure followed by a 'mirror' response; however, it was not symmetrical. Russia attempted to counter damage to the senders, where possible, to clear the market in the interests of domestic producers and turned to third countries to sustain trade. Finally, the chapter explains that the adaptation to sanctions will be difficult, and a political break with the collective West will likely deepen.

Chapter 5 addresses sanctions-busting and the roles of different countries that are easing Russia's experiences as a target country. Despite the strong support for sanctions from Western nations, a substantial portion of the international community, including countries across Central Asia, the Caucasus, the Middle East, Central and South America, Africa, and the majority of Asian nations, have chosen to maintain trade relations with Russia and remain neutral in the ongoing situation. China, in particular, has been critical of sanctions and has extended political support to Moscow while increasing trade ties. India, Brazil, Saudi Arabia, South Africa, and the UAE have tried to avoid taking sides in the conflict while attempting to gain advantages from their apparent neutrality. Moreover, numerous European and Asian businesses have actively sought ways to bypass sanctions, thereby supplying Russia with restricted goods.

Chapter 6 examines the effectiveness of the imposed sanctions on Russia. The analysis of Western sanctions on Russia in 2014–2021 and sanctions imposed after 2022 demonstrates that Russia was less prepared for the initial round of sanctions imposed in 2014, as the pain and damage to the economy were felt more acute from 2014 through 2016. After 2017, the Russian economy adjusted to the sanction regime and found mechanisms for coping with and

circumventing sanctions. Sanctions imposed on Russia after 2022 were much more comprehensive in scope. Nevertheless, they also proved ineffective in achieving their primary political goal of changing the Russian foreign policy course. They have not impacted Moscow's resolve to persist in the conflict, and it is improbable that they will alter this determination in the near future. The economic impact of the sanctions imposed in 2022 is nuanced. While the Russian economy did not crumble, there are signs that specific Russian sectors are facing a substantial decline. Sanctions achieved one main goal pursued by the United States—the share of Russian pipeline gas in European imports fell, opening the door for the U.S. to become an energy supplier to Europe. The financial sanctions are not as effective as anticipated as well. The ineffectiveness of financial sanctions could be explained by the fact that the degree of integration and, accordingly, the dependence of Russia on the global financial system is much lower than that of the West, given that, since 2005, the Russian Federation has been a net donor of financial resources, annually sending tens of billions of dollars to the West. Additionally, the role of states friendly to Russia proved crucial to Russia's resilience to sanctions.

Chapter 7 discusses the effects of sanctions on the sender states and third parties. The effect of sanctions on sender states is not thoroughly researched in the literature. Due to the degree of integration of Russia's economy into international trade, the consequences of sanctions on Russia will reverberate globally. The initial pain of sanctions is already seen in the rising prices of energy, closing of businesses in Europe, and increased food shortages in various parts of the world. Thus, the effect of sanctions is felt not only in Russia but in the sender states and in the states not involved in imposing the sanctions. Russia's cultivation of relations with non-Western countries and the strengthening of multilateral organizations, such as BRICS and the Eurasian Union, might signify a new era of block politics in international relations. Russia's alignment with China is particularly significant, as Beijing is entering a strategic confrontation with the United States.

Chapter 8 provides conclusions, summarizes the findings on the aims and effects of sanctions, and discusses the implications of the book's arguments for the future relations of Russia with the outside world. Russia established adaptive strategies following the initial round of sanctions in 2014, which enabled Moscow to withstand the sanctions imposed in 2022 and beyond; even in the face of the broad and severe Western sanctions imposed that year, eight years of previous sanctions made Russia less vulnerable to their effectiveness. This is not to suggest that sanctions are completely ineffective; they undeniably cause economic distress in the Russian economy. Nevertheless, the primary political

goals of sanctions, aimed at altering Russia's foreign policy direction, have not yielded results. The economic impact of comprehensive sanctions imposed on Russia in 2022 will likely take time to show full results. It will have long-lasting consequences not only for Russia but for the overall structure of international trade and relations.

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2. Sanctions: A Theoretical Review

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Abstract
In this chapter, Borozna and Kochtcheeva present a comprehensive analysis of research on sanctions, covering their various types, objectives, and their effectiveness in influencing the foreign policy direction of the states they are imposed upon. The synthesis of empirical evidence strongly suggests that, in the realm of coercive diplomacy, economic sanctions are typically ineffective. Targeted nations frequently do not modify their foreign policy stances and tend to maintain their domestic political trajectories. Paradoxically, sanctions can sometimes produce negative consequences for the states imposing them. The research shows that due to the damage that sanctions inflict on the economies of the targeted states, countries subject to sanctions perceive them as a threat to their national security. The destructive effect on the economy of the targeted state is comparable to the destruction of the state economy during a military intervention. Additionally, the research in security studies reveals how states can frame discussions surrounding sanctions as matters of national security. This framing is a strategic tool that governments use to rally their populations to endure the hardships brought about by sanctions. This not only eases the burden on the targeted state but also contributes to the limited success of sanctions in terms of achieving their goals.

Keywords Sanctions – Russia – Economic sanctions – Sanctions war –

Economic statecraft – Coercion – Sender state – Target state – Punitive measures – Coercive diplomacy – U.N. Security Council – Regime change – Destabilization – Hegemony – United States – Sanctions effectiveness – Resistance to sanctions – Securitization – Sanction busting

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Using international economic sanctions to restrict access to foreign markets is a long-standing practice with a long history. It spans from the trade embargoes imposed by France during the early nineteenth-century Napoleonic Wars to the economic sanctions imposed by the apartheid government in the 1980s and 1990s to the sanctions imposed against Iraq in the early 2000s (ccrelations and seen as a nonviolent approach to affect the behavior of states and, increasingly, individuals. The use of sanctions became a common practice and is viewed as a "pressure valve in international relations" (Chachko & Heath, 2022). This practice marks a departure from the previous principle of neutrality, wherein opting to limit trade with one side of a conflict could be seen as an unfriendly action. Sanctions and embargoes have been employed in a variety of contexts, such as to weaken a nation-state during periods of conflict or war or to alter the policy of a targeted government in order to avert a military conflict. In some cases, sanctions have been employed as a substitute for war since their aim is weakening the military power of the targeted state.

While sanctions as an instrument of influence on other states have been used throughout history, their use has significantly increased since the 1990s (Allen, 2005; Morgan et al., 2014). For most of modern history, various forms of sanctions have often been employed before using military force or in conjunction with it, such as embargoes, blockades, or trade wars (Kern, 2009). U.S. President Woodrow Willson wrote that there is "something more tremendous than war"—"an absolute isolation," since "It does not cost a life outside of the nation boycotted, but it brings a pressure upon the nation which, in my judgment, no modern nation could resist" (Mulder, 2022, pp. 1–2; Wilson, 1923, pp. 71–72). More than physical harm, Wilson believed that isolating a country from the international community can cause psychological harm to a target country.

The imposition of the blockade against Germany, Austro-Hungary, and the Ottoman Empire during WWI resulted in disruption in international trade and the flow of goods, leading to the death of hundreds of thousands of people. Despite the huge human toll inflicted by sanctions, the League of Nations incorporated sanctions into Article 16 of the Covenant of the League of Nations, transforming them into a peacetime institution, thus shifting a boundary between

war and peace (Mulder, 2022, p. 2). The use of sanctions significantly increased after the end of the Cold War, with the United States rising as a sanctions champion. The U.S. enthusiasm for sanctions resulted in half of the world's population being under American sanctions by the mid-1990s (Demarais, 2022, p. 4; Hufbauer, 1998). The use of sanctions has become increasingly prevalent in recent years, with 405 active sanctions in force as of 2022 and approximately 300 of them having been implemented in the past decade (Felbermayr et al., 2020). Thus, while conceived as an instrument of peace, sanctions emerged as a common tool of international pressure, reshaping the international order.

2.1 Defining Sanctions

The early literature on sanctions lacked conceptual clarity on what constitutes sanctions, resulting in the tendency to use the term 'sanctions' interchangeably with other terms, such as 'economic coercion,' 'economic statecraft,' 'economic diplomacy,' 'economic leverage,' etc. (Taylor, 2010, p. 11).

Common to all these terms is the focus on economic power as the instrument of political pressure. After the recognition that foreign trade can be a source of national power (Hirschman, 1980) followed the conceptualization of sanctions as "economic statecraft" (Baldwin, 1985). Pape (1997) stressed the importance of disintegrating the umbrella of "economic statecraft" into specific categories. He outlined three main strategies of international economic pressure: economic sanctions, trade wars, and economic warfare. Economic sanctions aim to undermine the economic basis of the power of the targeted state by reducing international trade in order to coerce the targeted state to change its policy. In a trade war, a state threatens to inflict harm on a targeted state by redirecting the course of trade. Trade wars aim to influence the international economic policy of the targeted state, not its political behavior. Economic warfare aims to weaken a targeted state's economy in order to undermine its military capabilities and overall power (Pape, 1997, pp. 93–94). From this categorization, it is clear that what became known as "comprehensive sanctions" on Russia is, in Pape's definition, economic warfare since the goal of "comprehensive sanctions" is to weaken Russia's economic base in order to reduce its military power.

While some authors argue that sanctions can vary based on whether their objective is economic or political (Jentleson, 2022), there is a greater acceptance in the literature that sanctions are always a political tool since they pressure the receiver of sanctions to comply with the political demands of the sender of sanctions (see Connolly, 2018; Galtung, 1967; Kirshner, 1999; Kochtcheeva, 2020; Kuzmarov, 2021). Although the most common type of sanctions is

economic sanctions, there are a variety of other restrictive and punitive measures used to coerce the targeted states, and therefore, the expanded definition of sanctions as a tool of coercive diplomacy would be more appropriate. Thus, Risa Brooks (2002, p. 6) proposed a broadened definition of sanctions, stating that "sanctions involve the imposition of punitive measures on a target state, measures which seek to limit the state's access to resources or cultural and social engagement and limit movements of its nationals in order to elicit a change in the target's policies." Consistent with this broader view of sanctions, we will define sanctions as follows. International sanctions are a deliberate instrument of coercive diplomacy employed by individual states, coalitions of states, or international organizations designed to impose pressure on the target state or substate actors with the goal of either producing compliance with the norms and requests of the sender of sanctions or obtaining a political change in the target country. Since sanctions belong to non-military instruments of statecraft, they are focused on undermining the power of the target state by non-military means with the goal of inflicting costs on unwanted behavior (Stein, 2012, p. 42).

2.2 The Legal Aspect of Sanctions

According to international law, the U.N. Security Council is the only legitimate body with the legal authority to introduce sanctions. In reality, however, individual countries or coalitions of countries extensively employ sanctions unilaterally (Hofer, 2018). The imposition of sanctions by the United Nations on Iraq, Yugoslavia, and Haiti in the 1990s became known as the "Sanctions Decade" (Cortright & Lopez, 2000; Hufbauer & Oegg, 2003). Therefore, the literature customarily distinguishes the U.N. sanctions from unilateral sanctions imposed by individual states or regional institutions and views sanctions as "part and parcel of international diplomacy, a tool for coercing target governments into particular avenues of response" (Hufbauer et al., 2009, p. 5). While the U.N. is the only organization whose sanctions are universal and binding on all, there has been an increase in the application of unilateral sanctions.

Additionally, since 1990, more than two-thirds of U.N. Security Council sanctions have been preceded by unilateral measures by individual states (Brzoska, 2015). Sender states try to legitimize the use of sanctions through the norms of international law, including the UN Charter, domestic legislation, and allusion to the norms of their morality and beliefs (Timofeev, 2018; Timofeev et al., 2020b). However, there is still a relative lack of clear legal limits regulating the use of sanctions (Chachko & Heath, 2022) despite their potential for inflicting catastrophic damage on third parties and global economic relations.

2.3 Types of Sanctions

Sanctions vary by type, including economic (e.g., financial, trade, energy and raw materials, services), political and diplomatic (e.g., lock negotiations, memberships, cooperation), military (deny access to military-related hardware), technological (impairing technological development of a target state), media (curbing the target state media reach outside its borders), travel (restricting the travel of citizens of the targeted states), cultural (canceling cultural events with participants of the targeted country, or even removing classical works from the textbooks), sports (not allowing citizens of the targeted country to participate in international sports events), and others. Sanctions can also be divided by scope: comprehensive, sectoral, targeted, individual (e.g., asset freezes and visa and travel restrictions), and secondary (secondary sanctions seek to prevent, on a global basis, third parties from transacting with those subjected to sanctions). Depending on the number of senders, sanctions can be unilateral and multilateral. Sanctions can also be divided into those that have already been imposed and those whose imposition is threatened (Afesorgbor, 2019; Bapat et al., 2013; Drezner, 2015).

Recently, the model of "smart" or "targeted" sanctions has gained attention in the literature and political vocabulary (Drezner, 2015). In contrast to blanket sanctions against an entire country, these types of sanctions are envisioned to affect certain individuals, companies, or sectors of the target country in a specific way (Cortright & Lopez, 2002; Weiss, 1999). Targeted sanctions—often called "smart sanctions"—began in 1990 and 1991 as a response to the U.N. Security Council sanctions imposed on Iraq after its invasion of Kuwait. Already by 1991, it became clear that smart sanctions, which were initially viewed as a peaceful alternative to military action, were devastating to the Iraq economy and infrastructure, resulting in widespread malnutrition, epidemics of water-borne diseases, and the collapse of every system necessary to ensure human well-being in modern society (Gordon, 2011). Despite the negative experience with targeted sanctions in Iraq, their use continues. Overall, there is no consistent evidence that smart sanctions provide better policy outcomes in relation to the targeted countries (Drezner, 2011).

2.4 Sanctions as a Source of Destabilization and Regime Change

The study of U.S. sanctions programs frequently mentions 'destabilization' as a

purpose of sanctions (Hufbauer et al., 2009). Destabilization happens when the public loses faith in their government's ability to rule the nation, and the door is left open to alternative ideas (Marinov, 2005). The list of countries under such sanctions is long. It includes smaller countries, such as Syria, Iran, Libya, Chile, Cuba, and Venezuela, and rivals, such as Russia and China. Successful or not, destabilization makes the general public into participants rather than observers, punishing the entire population of the target states and making people suffer as a necessary component of the sanctions, not as some sort of "unintended consequence" (Beal, 2021; Davis & Ness, 2021). The traditional explanation for the coercive instrument at work when sanctions, especially economic ones, are used is that they will hurt the people of the target state, sufficiently compelling leaders to change their behavior and policies as a result of pressure from the general population (Galtung, 1967). Economic sanctions are usually implemented to decrease the target state's resource availability, which lowers national income and instills a sense of hardship in the targeted populace. While other coercive mechanisms for sanctions are also at play, the majority of contemporary sanctions have their roots in the deprivation-based concept (Allen & Lektizian, 2013; Seitz & Zazzaro, 2020).

Despite being promoted as a benign instrument, economic coercion frequently results in massive suffering, as the drive to apply sanctions comes from the ability of sanctions to destroy the economy (McCormack & Pascoe, 2017; Peksen, 2010). Sanctions may imperil the economic and political capacity of the targeted regimes while significantly impairing the socio-economic and political well-being of the general population in the target country as well as in the sender countries (Seitz & Zazzaro, 2020). Therefore, critics began insisting that sanctions are a potentially unethical foreign policy tool that unfairly and indiscriminately targets poor and defenseless actors (Allen & Lektizian, 2013). Former U.N. Secretary-General Kofi Annan (2000) referred to sanctions as 'a blunt instrument which hurt large numbers of people who are not their primary targets.' While not necessarily resulting in regime change, destabilizing sanctions can make the target government more repressive, which can promote a wave of emigration, thus demonstrating the maliciousness of the government even further and paving the way for even more sanctions.

Sanctions often lead to a significant decrease in the target government's capacity to govern, as it is no longer able to access the military and economic resources it needs to project power, which may also reduce its capacity to carry out reprisals and suppress domestic opposition. In such a situation, sanctions-driven economic hardship and reduced resources may also reduce the target leader's capacity to offer selective inducements to their base in exchange for

loyalty. These incentives could include tax deductions, access to limited luxury items, improved housing, and higher salaries. If these incentives are no longer available, regime loyalists or other key public figures may decide to defect from the governing coalition and join opposition groups. The population suffering economic hardship due to sanctions could become more dissatisfied with their government. Growing dissatisfaction with poor living conditions could encourage anti-regime opposition groups to recruit more followers and mobilize against an existing government (Peksen, 2023).

2.5 Sanctions as a Hegemonic Tool

The United States has applied sanctions against other states more often than any other country in the world (Hufbauer et al., 2007; Kirkham, 2022, p. 61; Morgan et al., 2014). The preponderance of power and ability to absorb the costs of imposing sanctions allows the United States to exploit the dependence of weaker states and create economic and social stress to force the target states to change their domestic or foreign political behavior, interfere in their affairs, or coerce them to transform their political systems while remaining relatively invulnerable to reciprocal measures (Early, 2015, p. 5). As such, "sanctions are a weapon wielded by the most powerful, the U.S. and its allies in Western Europe and beyond, against the poor and weak" (Davis & Ness, 2021, p. 3). Several studies indicate that the United States emerged as the most frequent sender of unilateral sanctions (Hufbauer et al., 1990; Morgan et al., 2014). Through its dominance of the international financial and banking system, the United States is able to control access of the targeted state to global finance. Applying economic sanctions by the U.S. often involves limiting or completely cutting the target state's ability to trade on international markets (Arnold, 2019). Therefore, sanctions can be viewed as "a mode of war and an instrument of coercion usually in pursuit of hegemonic objectives" (Beal, 2021, p. 43). The study by Early and Peksen (2022) on the effect of sanctions on 149 countries during the 1971–2015 period demonstrates the widening gap between the sender of the sanctions (the United States) and the targeted states, thus cementing global inequality, impoverishment of the target states, and increase in human rights violations–despite the original proclaimed goal of protecting human rights in the targeted states.

Sanctions can decrease, restrict, or block completely trade or financial operations of a target, with the expectation that the restrictions will also achieve political results, such as forcing a change of political strategy of the targeted regime or its domestic or foreign policy. Often, sanctions are used to defend the

sender's strategic interests and protect its fundamental objectives abroad.

Generally, the purpose of sanctions and other forms of coercion is to benefit the coercer at the expense of the coerced (Beal, 2021). This is especially relevant for the United States, which frequently has implemented sanctions to emphasize its leadership in global affairs (Hufbauer et al., 2009). Cafruny and Kirkham (2020, p. 91) write that: "the United States seeks not only to punish targeted states in the name of human rights but also to enhance U.S. state power, to promote the interests of American corporations in global markets and to advance domestic political agendas." In the last fifty years, the United States has emerged as the leading sender of sanctions, although the European Union joined the U.S., especially since the end of the Cold War (Hufbauer et al., 2009; Hufbauer & Jung, 2020; Jentleson, 2022, p. 183; Timofeev, 2018). The U.S. employs sanctions most frequently and with significant consequences and serves as an instigator and enforcer of sanctions by other countries (Arnold, 2019). Therefore, any analysis of modern sanctions cannot circumvent the United States, as at the moment, "the global sanctions regime speaks with an American accent" (Beal, 2021, p. 27).

2.6 Goals of Sanctions

The primary purpose of implementing sanctions is to discourage and deter undesirable behavior, exact punishment on the targeted country, and exert pressure to prompt a change in that country's conduct (Hufbauer et al., 2009). Sanctions are frequently represented not merely as a "humane alternative to war" (Beal, 2021, p. 29) but driven by genuine concern and virtuous intentions (Allen & Lektizian, 2013). However, the real, underlying goals can be frequently obscured by official statements.

Sanctions achieve their goals through the following three components: coercion, constraint, and signaling (Pape, 1997). Coercion has both domestic and foreign policy dimensions. In the first case, sanctions are often associated with the theme of democratization and are imposed in case of violation of human rights, internal conflicts, and coup d'état. Using sanctions in the interest of deterrence implies the application of such restrictions as restraining the target country's military, technological, or another aspect of power. Sanctions may prohibit the supply of certain materials and technologies and limit investment in specific sectors of the economy. The imposition of sanctions can be used to deter the target country from further escalation. The signal function, as a rule, involves using sanctions as a symbolic measure (Pape, 1997). The economic damage from them is usually minor. However, they emphasize a political position and

signal a willingness to take decisive action. The senders proceed from the "theory of restraint," believing that sanctions can either send a signal or make the costs of an offensive policy unacceptable. A sender seeks to coerce a target by threatening or imposing restrictions if the target does not consent to its demands (Bapat & Kwon, 2015). Overall, the objectives pursued are to modify the behavior of a target, diminish its capacity to maneuver or weaken its position, and publicly condemn those targets that threaten international peace, prosperity, and security.

2.7 Sanctions Effectiveness

Most of the existing literature examining the effectiveness of sanctions has emphasized their impact on trade, investments, and the economic growth of both the targeted country and the countries imposing the sanctions. Additionally, studies on the effectiveness of sanctions in achieving their desired goals, such as coercing the sanctioned entities to adhere to the wishes of the sanctioned country, show that the net effect of sanctions is not apparent (Shin et al., 2016). The evidence is mixed, with some studies indicating a negative impact on the target countries and their firms, while others indicate that sanctions may not always be effective in altering a country's policy and may have only a limited economic effect on the GDP and trading patterns of sanctioned countries (Bapat et al., 2013; Bapat & Kwon, 2015; Galtung, 1967; Hufbauer et al., 2007).

Assessing and measuring the effectiveness of sanctions poses several methodological challenges. How can senders of sanctions determine if sanctions achieved the desired outcome? A key question is how to define success. Is success determined in terms of full compliance with the demands of the senders of sanctions, or would partial compliance be considered a degree of success? There are three major perspectives on the effectiveness of sanctions. The first perspective is that sanctions do not work. The second perspective is that sanctions play a symbolic role and are used as an instrument of signaling. The third perspective is that sanctions can work if appropriately designed (Taylor, 2010, p. 18). Galtung (1967) was among the first who attempted to trace the mechanism of sanctions and link it to their effectiveness. He introduced a "general theory of economic sanctions," aiming to elucidate the causal mechanisms of "economic boycott." He traced the link between sanctions and the subsequent steps of value deprivation, political disintegration, and eventual compliance. However, many authors argue that this link is hard to trace and evaluate due to the possibility of many different causal mechanisms through which sanctions can and have worked (Baldwin & Pape, 1998, p. 193). There are

also problems with coding and operationalizing various steps in the sanctions process. Hufbauer et al. (1990) sought to evaluate the effectiveness of economic sanctions from 1914 to 1990 and claimed that sanctions were effective in 40 cases, or 34% of the time. However, after the review of their methods, standards for determining success or failure by Pape (1997, p.106) demonstrated that sanctions have been successful less than 5% of the time, not 34%, as claimed by Hufbauer, Schott, and Elliot. Another study by Elliott (1997) showed that U.S. sanctions from the 1970s till 1997 altered targeted states' behavior only 13% of the time.

Another issue with assessing sanctions effectiveness is calculating the net effect of sanctions–what is the cost to the sender compared to the benefits of sanctioning the target? There is also a potential for sanctions blowback effect on the sender—the unanticipated disruption of trade that affects the sender. Disruption in trade could negatively impact both the sender and the target state, and that is not limited to states with strong trade relations. The cost of trade disruption is difficult to estimate in advance. While the sender of the sanctions can attempt to protect itself from the harmful effect of sanctions on its economy, it cannot completely ensure that trade disruptions will be limited to those goods on its sanction list. One of the common responses of the targeted states is by disrupting trade in commodities that are important to the sender of sanctions.

Existing literature and research demonstrate that imposing sanctions imposes a notable economic burden on countries and their financial markets (Gaur et al., 2023). For instance, studies on South Africa, Iraq, and Iran reveal that sanctions resulted in a substantial decrease in national economic growth and a decline in living standards (Becker et al., 1990; Cannes, 2000; Torbat, 2005). In the South African case, sanctions had a significantly adverse effect on various country-level economic indicators, and these repercussions persisted for many years, even after lifting the sanctions (Evenett, 2002). Furthermore, an examination of financial sanctions imposed by Germany on twenty countries from 2005 to 2014 indicated a reduction in financial transactions with the targeted country (Besedeš et al., 2017). Regarding Russia, the imposition of financial sanctions resulted in diminished access to capital markets for Russian banks, prompting increased government intervention in the banking sector and substantial decreases in capital inflows following the initial sanctions imposed on Russia in 2014 (Gurvich & Prilepskiy, 2015).

The research on the effectiveness of sanctions in changing the foreign policy course of the target states finds little evidence for sanctions' effectiveness (e.g. Jerin, 2015; Jones, 2015; Kirkham, 2020; Kirshner, 2002; Pape, 1997). In most cases, sanctions cannot change the behavior of the targeted state due to the

increased economic integration of the international system, the ability of the targeted states to find alternative suppliers and markets (Bapat & Kwon, 2015), and become more independent and self-sufficient (Timofeev, 2022a, 2022b), following the imposition of the sanctions. Not only do target states find ways to adapt, but sanctions often backfire and make the sender of sanctions feel the pain (Demarais, 2022). Alternatively, sanctions also often lead to unintended consequences. Thus, Mulder (2022), analyzing the continental blockade on Germany and Austro-Hungary, found that while sanctions inflicted economic costs on Berlin and Vienna, this did not translate into an immediate weakening of their military power and did not shorten the war. Instead, fear of the imposition of sanctions gave incentive and strengthened the fascist regimes in Germany, Italy, and Japan.

Both anecdotal and empirical evidence suggest that the effectiveness of sanctions tends to diminish over time (Gaur et al., 2023). Dashti-Gibson et al. (1997) provided empirical findings supporting the idea that as sanctions persist, their ability to achieve the objectives of the sanctioning countries weakens. The countermeasures adopted by a sanctioned country appear to erode the efficacy of sanctions, and when a sanctioned country possesses centralized and concentrated political authority, it is better equipped to develop and implement these countermeasures (Bolks & Al-Sowayel, 2000). Coulibaly’s (2009) study of South Africa found that while sanctions did reduce investment, the economy and companies adjusted to the restrictions on their access to the global financial system. In a more recent study, Dorff and Minhas (2017) found a decrease in international sanctions compliance over time.

Since sanctions rarely achieve full compliance with the demands of the senders of sanctions, it might be more fitting to speak in terms of degrees of success (Jentleson, 2022, p. 23). From the literature on sanctions (Cortright & Lopez, 1998; Hufbauer et al., 2009; Krustev & Morgan, 2011; McLean & Wang, 2010; Nephew, 2018), it follows that the following key factors play a role in sanctions effectiveness. The first group of factors for sanctions success relates to the timing, strength, clarity of goals, and character of sanctions. The longer the time between the threat and application, the more time the target and sender have to stockpile to mitigate the effects of the sanctions, making the application less effective (Afesorgbor, 2019). As Demarais (2022, p. 39) writes, “Sanctions work fast or never.” If the sanctions are inadequate for the task, have vague goals, and have weak means of implementation, they may fail (Hufbauer et al., 2009). The more often sanctions are used, the less effective they become. Using sanctions to combat any dispute between states generally depreciates the value and effectiveness of sanctions more broadly (Drezner, 1998).

The second factor of sanctions effectiveness is a degree of consolidation and agreement among the sender countries. While unilateral threats can be more persuasive, multilateral imposition stands a higher chance of success (Weber & Schneider, 2019). The stronger the so-called “sanctions coalition,” the stronger the effect of the restrictions (Keatinge, 2023; Timofeev, 2018). Multilateral sanctions have the advantage of enabling the hegemon to employ its power to multiply the reach of sanctions. The advance of globalization and the development of international supply networks make this even more crucial (Beal, 2021). Sanctions by states are all the more effective when used through international institutions (Bapat & Kwon, 2015; Grauvogel et al., 2017). The approval of sanctions by the U.N. Security Council gives them a wider reach, being compulsory for all U.N. member states and providing a more legitimate look. When sanctions are used, the hegemon exerts pressure on countries and on international institutions by applying pressure on governments and individuals from aligning or subsidiary states. In the globalized economy, this extraterritorial reach is both a need and a force multiplier, strengthening the ability to cause economic and other harm within targets (Beal, 2021; Martin, 1992).

However, Drezner (1999) claimed that a sanctions paradox appeared when sanctions against allies led to a change in a political course much more often than sanctions against opponents. In most successful cases, sanctions worked before the application (Drezner, 2003). However, when a sender’s allies and other actors in the international community do not share its goals, they may question the probability of a successful outcome and refuse to take stern or any measures requested against the target. The criticism from the sender’s allies may be intensified if the sender attempts to enforce the sanctions on an extraterritorial basis. Another possible reason for ineffectiveness is that sanctions may alienate potential allies abroad and business interests at home, as well as produce a domestic societal outcry. The consequences of sanctions are even more likely to be pronounced when the target state is a democracy in economic or political turmoil and the incumbent government requires the backing of a large proportion of the populace (Allen, 2005; Letkzian & Souva, 2007). Domestic business firms may also experience severe losses when sanctions interrupt trade and financial contracts (Hufbauer et al., 2009). Besides the immediate loss of sales, they may lose their reputation for reliability. After the first expression of patriotic enthusiasm or moral necessity, such business grievances can undercut a sanctions scheme. Additionally, globalization has made more countries potentially vulnerable to economic sanctions; at the same time, it has also provided a more diverse marketplace to subvert and replace the market disruption they caused (Hufbauer & Oegg, 2003).

The third factor is the cost of the sanctions for the target and sender countries. The literature demonstrates that high costs of sanctions for the target state and low costs for the sender are notable indications of sanctions' success (Drury, 1998; Hufbauer et al., 1990; Stein, 2012, p. 42). For the target countries, sanctions can lead to a reduction in trade relations (Hinz, 2017), a crisis in the banking system (Hatipoglu & Peksen, 2018), reduced investment, increased corruption, and problems in public administration (Rosenberg et al., 2016), the falling performance of companies in strategic industries (Ahn & Ludema, 2020). In other words, they raise the costs of the policy pursued and make sanctions meaningful for the senders even if the target does not change their political course. The restrictions will make it stay the course. On the other hand, the greater the losses and instability in a sender's economy, the more likely it is to make political concessions. The sanctions can be highly destabilizing and cause significant harm to the economic interests of the sender and its allies (Cafruny & Kirkham, 2020).

The fourth factor of sanctions effectiveness is the presence of countermeasures and remedies, both domestic and international. A notable rationale for sanctions' ineffectiveness is that they might cause a "rally-around-the-flag" mentality (Galtung, 1967; Mayall, 1984; Nooruddin, 2002) among the sanctioned country's population, producing "support for domestic policies, patriotism, and nationalism" (Seitz & Zazzaro, 2020, p. 818). For instance, economic sanctions may unify the target population in support of its government and encourage the search for alternatives and substitutions. The target government can gather public opinion around its domestic leaders' ideas by charging the senders and branding their actions as a threat to the security, integrity, and values of the country. Imposed restrictions may provoke strong or affluent allies of the target country to adopt the role of supporters, counterbalancing whatever deprivation ensues from sanctions themselves. Allies of the targeted states may help find alternative means that would make it possible to counterbalance the effect of sanctions, maintain and strengthen the necessary development of the country's international relations, benefit from participation in the global economy, and consistently eradicate social and economic vulnerabilities (Early, 2015; Hufbauer et al., 2009; Timofeev et al., 2020a). In research on why sanctions often fail, Bryan Early found that the success of sanctions is significantly reduced by sanction "busters"—states unwilling to sanction the targeted state. Early writes that having one trade-based sanctions buster significantly reduces the likelihood of sanctions success; having more than one buster almost guarantees sanctions failure (Early, 2015, p. 210). Sanction-busting behavior sometimes comes even from the firms of sanctions

sender countries (Stein, 2012, p. 40).

The fifth factor is the regime type of the targeted country (Allen, 2008; Nossal, 1999; Smith, 1998; Tomz, 2007) and the structure of its political economy (Connolly, 2018; Golikova & Kuznetsov, 2017; Jones, 2015; Kirkham, 2022). The most effective sanctions have been in place against democracies with significant ties with the United States (Demarais, 2022, p. 43). The less democratic the regime, the less incentive for the leaders to change their domestic or foreign policy course that would lead to the lifting of sanctions. The structure of the political economy of the targeted state can mitigate the pains of sanctions.

2.8 Mechanisms of Resistance to Sanctions in the Target State

The target states are constantly reinventing mechanisms for circumventing sanctions and mitigating their impact on national economies and internal stability. One of the main mechanisms of the targeted states' resistance to sanctions is sanctions' politically integrative effect. Galtung (1967, pp. 411, 413) suggested that faced with economic deprivation, societies unite around the ruling regime and search for ways around sanctions, be it import substitution, smuggling, or openly establishing ties with third-party states, companies, or individuals, which are willing to risk being themselves a target of secondary sanctions and endure the punishment (Nephew, 2018). There are two main mechanisms of circumventing and resisting sanctions–through trade and politics. The first mechanism involves businesses and international traders finding new channels of trade and commerce, often with protection from their respective governments. The second mechanism involves third-party states that do not support the imposition of sanctions and help the targeted regime with various types of aid. These "sanctions busters" can be trade-based and aid-based (Early, 2015). Hufbauer et al. (1990, 2007) argued that third-party states ("black nights"), providing assistance to targeted regimes and usually motivated by political goals, are crucial to targeted states' resistance to sanctions.

The adaptation to sanctions also happens at the lower level–the level of the firm. Research by Gaur (2023) demonstrates that while sanctions may have a short-term detrimental impact on sanctioned entities, in the long term, these individuals and firms attempt to evade the sanctions by restructuring and adapting to them. There are two potential explanations for this success: first, as time passes, the internal and external pressures become less intense. As the domestic government attempts to protect its domestic economy, firms have more

flexibility to implement strategies to address sanctions without fear of losing their legitimacy in the domestic context. Second, even when firms are restructuring to meet international requirements, there is more acceptance of this approach as people and other stakeholders in the domestic context view the success of the firms from a nationalist perspective (Gaur, 2023, p. 1398). Companies impacted by sanctions also acquire knowledge and proficiency in navigating them as time progresses (Ahn & Ludema, 2020). In the Russian scenario, initial indications suggest that businesses have actively undertaken restructuring and implemented various strategies to mitigate the impact of global sanctions.

2.9 Securitization of Sanctions by the Target

In order to understand why international sanctions are ineffective in changing the target states' behavior, it is also essential to focus on the concepts of threat and security and how the leadership of the target country uses securitization. The Copenhagen School scholars argue that an issue can be securitized (framed as a security issue) by the political elite (a securitizing actor) by articulating it as an existential threat to a state. Framing issues as an existential threat allows the political elite to adopt extraordinary measures beyond conventional political processes (Buzan et al., 1998; Buzan & Hansen, 2010). Buzan and Hansen (2010, p. 34) stress that it is crucial to understand "the process through which particular 'threats' manifest themselves as security problems on the political agenda. 'Threats' are 'objective' when they are accepted by significant political actors, not because they have an inherent threatening status. Security is, in short, a self-referential practice."

Sanctions can be viewed as "a foreign challenge to the security of the targeted state's domestic economy" (Lektzian & Mkrtchian, 2021, p. 2779). As the senders increase the perception of the exogenous threat in the target states, ensuring survival and security becomes paramount. The target state may start securitizing if antagonistic measures like sanctions are introduced and sustained.

Following the perspective of the Copenhagen school, international sanctions imposed on Russia became a tool of securitization by the Russian political elite. The discourse on sanctions became instrumental to the most nationalistic actors in Russia who suspected malign Western intentions since the 1990s. The scope and depth of Western sanctions became a confirmation of the long-standing narrative in Russia that the West is determined to weaken Russia. Using the language of security threats from sanctions allowed the Russian political elite to treat sanctions as a tool for strengthening domestic cohesion, mobilization, and

gathering support against external threats. Thus, the securitization of sanctions became an intrinsic part of Russia’s adaptation mechanism to sanctions.

Treating sanctions as an existential threat to the state by Russian leadership is based on the interconnectedness of economic and military power. Since the overall state power is built on the foundation of a strong economy, any threat to the state’s economic interests constitutes a threat to that state (Kirshner, 1999). The threat to the economic security of a state can come from internal and external factors. Internal sources of economic threat can often be attributed to the failure of government economic policies. On the other hand, external economic threats can come from various sources, including trade disruption, price decreases on exported commodities, and sanctions. In Russia, energy exports and the sale of defense industry products have had significant security implications (Borozna, 2022, pp. 176–179). Thus, the imposition of sanctions and the resulting disruption of trade has given ground to the country’s leadership to treat sanctions as a security issue, resulting in the securitization of sanctions. Because Russia perceives its conflict with the West as existential, the future of Russia, its territorial boundaries, its global standing, and even the issue of its continued existence will be shaped by the resolution of this confrontation. That is why Russia’s ability to adapt to sanctions by securitizing them and reorienting itself toward the non-West became crucial. Synthesis of insights from securitization literature and literature on the political economy of sanctions allows us to show the role of securitization in Russia’s resilience to sanctions.

2.10 Sanctions as War

The damage of sanctions on the target country is, in many cases, as lethal as military intervention by producing malnutrition, restricting access to medical supplies, worsening safety, increasing human rights violations, and stumbling the targeted state’s overall development (Arnove, 2003; Davis & Ness, 2021; Demarais, 2022; Dyson & Cetorelli, 2017; Early & Peksen, 2022). Due to the damage that sanctions inflict on the economies of the targeted states, countries subject to sanctions perceive them as a threat to their national security. The destructive effect on the economy of the targeted state is comparable to the destruction of the state economy during a military intervention. For that reason, an imposition of sanctions can be viewed as the economic war waged by the US against the rest of the world.

One of the goals of the sanctions war is to prolong the US financial hegemony and to prevent the failure of the US dollar as the global reserve currency. This war takes many forms and applies many instruments. First, the

United States uses its predominant position in the international financial system to inflict pressure on the states unwilling to submit to US political demands. While during wars, the property of the targeted state is destroyed during the battle, the modern-day freezing of financial assets through sanctions also aims to destroy the material power of the sanctioned state. Second, the United States often uses its legal system, especially through FCLA, to extract economic gains for US corporations. Pierucci and Aron (2019) documents the use by the American judicial system of FCLA to subjugate foreign multinational corporations and even foreign governments to serve American economic interests.

The implementation of economic sanctions has been linked to an increase in human rights violations and a decrease in political freedoms in the targeted countries. Political leaders in the targeted countries often view sanctions as a potential threat to their authority and use them as a pretext to suppress domestic opposition. Sanctions have also been linked to a rise in the level of political repression in the targeted countries (Peksen & Drury, 2010; Peksen, 2009; Wood, 2008). A review of more than thirty studies by Rodriguez (2023) concludes that sanctions have negative effects on the standard of living in the targeted state, resulting in declining income, inequality, mortality, and human rights violations. In 2020, the Human Rights Council of the United Nations adopted a resolution stating that unilateral coercive measures in the form of economic sanctions have far-reaching implications for the human rights of the general population of targeted States, disproportionately affecting the poor and the most vulnerable classes," and that "most current unilateral coercive measures have been imposed, at great cost, in terms of the human rights of the poorest and of the persons in vulnerable situations, on developing countries by developed countries" (United Nations General Assembly, 2020).

What distinguishes the sanctions on Russia is the openly war-like language of the sanctions. The language of sanctions on Russia, imposed in 2022, became more openly aggressive in nature, using various terms, such as "containment," "isolation," "pariah state," "rogue state," etc. (Dobbins et al., 2018; Norrlöf, 2022; Vershbow, 2023). Thus, Vershbow proposes an effective containment strategy applied to Russia that should "seek to maximize Russia's economic and political isolation. Economic decoupling should be achieved through a long-term policy of sanctions on the Russian economy and following through on moves to end the West's dependence on Russian energy and raw materials. In terms of political isolation, we need to treat Russia as a pariah or rogue state and avoid any premature return to business as usual" (Vershbow, 2023).

Many studies demonstrate that sanctions are a form of economic coercion

that can have a far-reaching impact on society, including social, political, and humanitarian damage (Early & Peksen, 2022; Gordan, 2010; Von Sponeck, 2006; Weiss et al., 1997). For these reasons, economic sanctions should be treated for what they are–economic warfare–it is a war that aims to inflict damage that is commensurate or can exceed material damage on the battlefield.

The upcoming two chapters will examine the objectives of Western sanctions on Russia in two distinct periods: from 2014 to 2021 and from February 2022 onward. These chapters will also delve into Russia's understanding of the goals behind the sanctions and how Russia responded to them.

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3. Annexation of Crimea: Western Sanctions and Russia's Response (2014–2021)

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Abstract
This chapter centers on the sanctions levied against Russia following the Ukrainian crisis and the annexation of Crimea in 2014. It begins by examining the objectives behind these sanctions. The chapter scrutinizes how the sanctions evolved and intensified over time. The overarching aim of these sanctions was to impose enough economic damage on Russia to compel a significant shift in its foreign policy. Borozna and Kochtcheeva highlight Russia's strategies to counter these sanctions, including state action, import substitution, forging stronger ties with non-Western sources of technology and capital, and fostering its strategic industries to fulfill domestic economic needs. The chapter underscores that the primary political objectives of sanctions have not been achieved. Russia did not alter its political trajectory, retained control of Crimea, and refrained from making unilateral concessions. The Russian political system remained predominantly cohesive, and Moscow avoided political isolation by deepening existing international connections and establishing new ones.

Keywords Russia – Sanctions – Russian economy – Ukraine crisis – Crimea – United States – European Union – Regime change – Economy – Anti-crisis plan – Import substitution – State support – Foreign policy course – Counter-

sanctions – Strategic industries – Russian political system – Effect of sanctions – Sanctions effectiveness

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In the early 2010s, the initial wave of sanctions was imposed on the Russian Federation, primarily beginning with the enactment of the so-called Magnitsky Act. The sanctions of mid-December 2012 were a response to the death in the Russian prison of Sergei Magnitsky, which targeted those found responsible for his death. With the help of a massive lobbying campaign by William Browder, who was the head of the investment fund Hermitage Capital Management, the U.S. legislature was convinced that Magnitsky exposed corruption, misconduct, and violation of human rights by Russian government officials. As a result, such consistent work led to a strong coalition of legislators in both houses of Congress (Galstian, 2020; Kuzmarov, 2021). The Act allowed the White House to introduce financial and visa-blocking sanctions against Russian individuals and organizations involved in human rights violations and corruption. Considered as passed in response to the Magnitsky Act, Russia's vastly debated "Dima Yakovlev" law that banned the adoption of Russian orphans by U.S. citizens produced some powerful anti-Russian attitudes in the United States while also causing anti-American sentiments in Russia (Kochtcheeva, 2020a; Timofeev, 2022b).

Following the annexation of Crimea after the Maidan Revolution in the winter of 2013–2014 and the rebellion in Donbas, all E.U. countries, the United States and Japan, imposed sanctions on Russia starting in March of 2014. The sanctions intensified in successive waves, with Russia's non-symmetrical retaliation.

3.1 Goals of Sanctions

The Western sanctions against Russia were rooted in the conflict in eastern Ukraine and the annexed Crimea. The first set of sanctions, mainly consisting of targeted sanctions in the form of individual travel bans and asset freezes, focused on implicated political and military personnel believed to be responsible or involved in the violence in eastern Ukraine, and the seizure of Crimea, as well as first select Russian financial institutions (Ashford, 2016; Crozet & Hinz, 2020; Kuzmarov, 2021). President Obama signed an Executive Order denouncing Russia's action in Crimea and imposed sanctions on the actors that were deemed to destabilize or threaten the Ukrainian democratic process (Connolly, 2018). The White House (2014) announced that: "We have fashioned these sanctions to

impose costs on named individuals who wield influence in the Russian government and those responsible for the deteriorating situation in Ukraine."

After the crash of a Malaysian Airlines flight MH17 civilian airplane, which was downed over the Donbas territory, the West escalated its sanctions regime. This round of measures included economic and financial sanctions with restrictions on the export of certain goods, military and dual-use goods, and mining equipment, as well as sanctions on major banks and defense and energy companies (Ashford, 2016). Western sanctions of 2014 also initially restricted defense cooperation with Russia, and by September 2014, started targeting other sectors of the Russian economy, the Russian financial system, export of goods and services (except financial services), technology in support of oil exploration or production in Russia from deep-water, Arctic, or shale projects that have production potential. Sanctions also targeted individuals operating in the Russian defense sector (Nephew, 2018, pp. 158–159). Diplomatic sanctions included the expulsion of Russia from the G8 meetings, with bilateral talks on cooperation agreements and visa regulations also suspended (Dreger et al., 2016).

Sanctions were imposed in multiple rounds from March and April 2014 to July and September 2014 and again in September and October 2017 (Bayramov et al., 2020). However, since 2016, the process of sanctions escalation has started taking shape, which is a consistent expansion of reasons for imposing sanctions and their categories (Timofeev, 2018). In 2016, an investigation erupted as a result of hacking attacks on the DNC systems, which resulted in end-of-year sanctions. The 2017–2018 were spent investigating the alleged Russian interference in the U.S. elections. The U.S. presidential administration followed a consistent approach to strengthening sanctions. While the E.U. somewhat detached itself from the U.S. sanctioning effort, the issue of election meddling still contributed to bringing a new low between the E.U. and Russia. The Skripal case, Moscow's support for Bashar al-Assad, and the Kerch Strait incident paved the way for more new sanctions. Throughout 2019, sanctions against Nord Stream 2 were discussed and approved in December as part of the National Defense Authorization Act (NDAA 2020, section 7503).

The overall goal of the sanctions was to inflict enough damage on the Russian economy that would force the country's leadership to radically change its foreign policy course. At the same time, the goals and scope of the sanctions from the U.S. and E.U. differed significantly. The tactical E.U. sanctions focused on the Ukrainian issue and were mostly associated with the implementation of the Minsk Accords. The E.U. used sanctions as a way of forcing Russia to mainly achieve a ceasefire. This stance itself was very contradictory since the implementation of the Minsk agreements was largely dependent on Ukraine as

well, against which there were no sanctions for non-compliance (Timofeev, 2018).

The aims of U.S. sanctions against Russia varied but could be divided into two categories: sanctions that aimed at specific changes in Russian behavior and sanctions that sought to impose costs without being linked to a specific policy outcome (Mankoff & Newlin, 2018). In contrast to the more instrumental E.U. sanctions, the U.S. sanctions constituted a comprehensive strategy. The strategic U.S. sanctions, in addition to Ukraine, and especially through the Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA), included numerous restrictions, such as cybersecurity, human rights in Russia, Russia's policy in the Middle East, nuclear non-proliferation, Russia's energy policy, the Russian media and others (Office of Foreign Assets, 2017). Based on the content of this law, some of the main aims became influencing the Russian political system via defamation and isolation of the political leadership of the country, making Russia an undesirable trading partner, isolating it from investments, transforming it into European and even post-Soviet regions outcast, and pushing it out of the European energy markets.

The 2018 Defending American Security from Kremlin Aggression Act (DASKA) revised its lists of sanctioned entities and imposed restrictions against companies involved in Russian domestic and foreign energy projects. Moreover, the 2018 Defending Elections from Threats by Establishing Redlines Act (DETER) aimed at Russian financial institutions and energy firms, with extraterritorial reach on European entities (Cafruny & Kirkham, 2020). Overall, between 2012 and 2019, the U.S. imposed more than sixty rounds of sanctions on Russian individuals and private and governmental entities (Kuzmarov, 2021). In 2019, sanctions were initiated in response to previously identified political issues. While none of the existing problems in Russia-Western relations were resolved, none were aggravated either (Timofeev et al., 2020). In comparison to prior years, the imposition of sanctions against Russia has grown much more stable by 2020.

3.2 Russia's Response

Moscow perceived the overall goal of the sanctions had been to disrupt the Russian economy to such a degree and in such a way that it would cause the country's leadership to drastically change its foreign policy course and society to challenge domestic political arrangements. Additionally, the waves of sanctions signaled a shifting emphasis in the use of sanctions from restoring the territorial integrity of Ukraine within the borders of 2013 to counteracting Russia's action

on a broad front of its foreign policy priorities, especially in the Eurasian space (Afontsev, 2020).

Since 2016, a trend of mounting sanctions and the constant expansion of the reasons for imposing further sanctions and their classification has persisted (Dubinin, 2022; Timofeev, 2018; Timofeev et al., 2020). In Moscow's view, continued conflict in Eastern Ukraine, military and diplomatic victories in Syria, and regional assertiveness in Eurasia produced a lot of condemnation in the West, leading to sanctions (Kochtcheeva, 2020b). Additionally, the alleged meddling in the U.S. elections and Skripal's case became fertile ground for the United States to arrange its sanctions into law. The sender countries aimed at the most susceptible segments of the Russian economy, political community, and society. The U.S. and E.U. restrictions targeted Russia's need for investments and dependence on the US-based global financial system. The senders also targeted Russia's reliance on the import of high-tech equipment in various sectors of the economy, including the energy sector, the sensitivity of the economy to changes in the commodities markets, the vulnerability of the social sphere, and the level of integration of the Russian elites, as well as business and scientific communities.

Sergey Karaganov, the Kremlin's foreign policy advisor and head of Russia's Council on Foreign and Defense Policy, expressed Russia's sentiment about sanctions as follows: "American politicians have openly said that the sanctions are aimed at bringing about regime change in Russia. That's aggressive enough" (Neef, 2016). Thus, the Russian political class and Russian think tanks viewed the U.S. sanctions as a part of a larger effort to weaken Russia and punish its leadership for standing up for its state interests. This sentiment was expressed by all mainstream media in Russia and widely accepted by the Russian public, providing the political elite with the tools of securitization, which allowed conducting policies commensurate with security threats.

3.3 The Effects of Sanctions

The imposition of sanctions, the continued Ukrainian crisis, falling oil prices, and persisting geopolitical uncertainty created an increasingly difficult situation in the Russian economy. Speaking in November 2014, Minister of Finance of the RF Anton Siluanov stated that the economic damage to Russia as a result of the first year of the sanctions was around $40 billion, with a further $100 billion in losses due to the fall in oil prices (Antonova, 2014). The relative openness of markets and efforts to stabilize the ruble had relieved some pressure in 2015. The financial dynamics depended on the ruble's exchange rate, fluctuations in

external demand, and normalization of domestic financial conditions (Dreger et al., 2016; IMF, 2015). The fall of the ruble produced considerable inflation (15.8% by August 2015), which made imports more expensive and decreased incomes and wages. Russian banks were significantly limited in their ability to borrow, and the oil and gas sector was limited in access to a number of technologies and projects. Russia's economy slipped into a recession, which peaked in the second quarter of 2015 (World Bank, 2016). Living standards plunged, car sales dropped (36%), and international travel declined (20%) (Kuzmarov, 2021).

Decreasing oil revenues limited the government's ability to fight the decline in real income, and nominal increases in pensions and social benefits were below the headline inflation rate, accelerating an already concerning increase in the poverty rate, which rose from about 13% in 2014 to about 15% in 2015 (Gaidar Institute, 2016; World Bank, 2015). Although the inflow of direct foreign investment continued, its scale significantly decreased: $22.0 billion in 2014 and $6.9 billion in 2015 compared to $69.2 billion in 2013 (Afontsev, 2020). Weak institutional reforms, fatigued investment, lack of competition, and concentration in a number of sectors have also contributed to low productivity growth (IMF, 2015). The IMF estimated that sanctions caused between one to one and a half percent loss of Russian GDP (Harrell, 2018). According to Sergey Drobyshevsky, the Head of the Center for Macroeconomics and Finance at the Gaidar Institute in Moscow (2015): "Sanctions and the fall of oil prices …only made it possible for the existing negative trends to become more apparent" (Kochtcheeva, 2020a).

In March 2016, Presidential Advisor Sergey Glaziev estimated that the total economic damage over the two years since the sanctions were imposed amounted to $250 billion (Lenta.ru, 2016). Another estimate of losses comes from the members of the Economic Expert Center (Russian think tank), where losses as a result of the financial sanctions were estimated to amount to $170 billion for the period of 2014–2017 (Kuvshinova, 2016). Nevertheless, in 2016–2017, Russia's economy demonstrated recovery, with tradable sectors getting more muscle from the relative price adjustment and stabilizing commodity (oil) prices, which became the main causes of economic growth (World Bank, 2017a, 2017b). While the Russian economy was able to adapt to the sanctions, overall, worsening market conditions, especially the fall in oil prices, which produced the shortfall in energy exports, and accounting for an additional $400 billion in losses, have deepened the effect of the sanctions. Russian analysts estimate that by 2020, the deployment of sanctions against Russia has stabilized compared to previous years (Timofeev et al., 2020). In 2019, their contribution to the

slowdown in economic growth was estimated at around 0.2% per year (IMF, 2019).

From Moscow's perspective, the policy of Russia's counter-sanctions has shown noteworthy trends. In alleviating the crisis of 2014–2015, the government produced the "Anti-crisis Plan" (RUB 2.4 trillion) with more than 2,000 projects across 19 sectors of the economy to achieve stabilization and growth (R.F. Government, 2015a). The focus was placed on actions supporting the most vulnerable sectors in the economy, the financial sector, and the social sphere, as well as promoting the process of import substitution (Kochtcheeva, 2020a). Russia was able to stand up to sanctions because the state response was "coordinated, substantial, and sophisticated" (Connolly, 2018, p. 4). According to Denis Manturov, the Minister of Industry and Trade, twenty-two sectors of the economy were receiving state support to increase import substitution by the summer of 2017. The Central Bank decided to transition to a free-floating exchange rate, which made it possible for imports to adjust to a 17% depreciation in the real effective exchange rate during 2015, strengthening the current account balance. The government's decision to utilize a short-term fiscal stimulus in the 2015 budget helped rebuild buffers and safeguard intergenerational equity (IMF, 2015; World Bank, 2015).

Moscow also initiated a series of processes to affect the foreign direct ownership of the crucial sectors of the national economy under targeted sanctions. Putin started the nationalization process of privately owned oil companies, promoted the development of energy extraction equipment in the country, and approved the creation of a state-owned oil services company, RBC (Kramer, 2014; Kuzmarov, 2021). While the decrease in oil prices post-2014 had a notable influence on the Russian economy (Oxenstierna, 2020), Russia increased its cooperation with OPEC and was able to reach a deal in 2016 on oil output cuts in order to stabilize oil prices on world markets (Lomagin, 2019, pp. 172–173).

The counter-sanctions were used by Russia as an instrument of protectionism unacceptable in a different political context. Every new Western measure was followed by a 'mirror' response; however, the responses were not symmetrical. Russia did not introduce blocking sanctions, with the exception of targeted visa restrictions. Russian attempts to return damage to the senders, where it was possible, such as the food embargo, was to clear the market in the interests of domestic producers. In the summer of 2014, Russia restricted imports of food products, including meat, fish and seafood, vegetables, fruits, and dairy products from countries that had imposed sanctions against it: USA, EU, Canada, Australia, and Norway, while domestic food producers received a push to

increase production and revenue (Kochtcheeva, 2020a). Almost a year later, in response to the extension of sanctions, Russia prolonged the grocery embargo for a year until August 5, 2016 (R.F. Government, 2015b, 2015c). Notwithstanding quite a few problems, including the initial rise in food prices and unexpected weather conditions, agricultural production had increased by more than 20%, making the country the world's leading exporter of wheat in 2016 (Kochtcheeva, 2020a). Agricultural export revenues accounted for over $20 billion in 2017, which came close to being compared to armament sales (*The Economist*, 2018). Due to the self-sufficiency in agriculture, the government was able to spend more on economic recovery (Kramer, 2020).

Russian politics turned out to be quite pragmatic. First, new institutions dealing with sanctions have been created. If, before 2014, Russian special economic measures were episodic and non-systemic, then after the Ukrainian crisis, the government updated both legislation and mechanisms for its application. Secondly, for the years 2014–2015, the government helped the economy by stabilizing the banking system and financing the most critical projects in the real sector (Medvedev, 2015; Zarubin, 2015). In particular, the government indexed pensions, financed infrastructure, housing construction, and transport projects in the regions, and provided tax breaks for small businesses (Kochtcheeva, 2020a). Third, Moscow, without much advertising, adjusted the financial structure by developing a new National Payment System, called Mir, to ensure the sovereignty of domestic transactions, especially after Visa and Mastercard terminated services to some Russian banks. The country also created a system for transmission of payment messages, and started a cautious reduction of settlements in dollars (Timofeev, 2022a). From March 2018 to June 2021, the share of the dollar in the reserves of the R.F. decreased from 43.7% to 16.4%, the share of the euro increased from 22.2% to 32.3%, and the share of the yuan increased from 5% to 13.1% (Kuznetsov, 2022). Fourth, the Russian state felt the support of the people. According to the Russian Public Opinion Research Center (VCIOM, 2018), the absolute majority of Russians (73%) stood behind the continuation of an assertive, independent domestic and foreign policy without regard to sanctions. The Levada Center (2018) produced very similar data confirming that the majority of Russians (close to 70%) thought that the country should pursue its own way of development notwithstanding sanctions, even though the crisis significantly increased the number of people who claim the years of 2014–2015 were more difficult for them.

Ultimately, sanctions pushed Russia to acknowledge that it was overly reliant on the West. In the words of Vladimir Evseev, the Head of the Department of the Eurasian Integration and Expansion of Shanghai Cooperation Organization

(SCO) in the Commonwealth of Independent States (CIS): “The sanctions imposed by the West against Russia, reached their goal in the sense that Russia realized that it had excessive dependence on the West. And, they pushed Russia to adjust its vector of development… to introduce the policy of import substitution and development of the national economy” (Evseev in Ardaev, 2016). Additionally, the continued development of tighter economic relations with the Eurasian Union, especially with the Central Asian countries, contributed to Russia’s ability to withstand the sanctions (Kirkham, 2016). Russia also increased its trade with China, measuring $108 billion in 2018, a 25% increase from the year before (Kramer, 2019). Russia shifted toward increased reliance on domestic assets and structures and toward a more multivector economic policy that emphasizes closer relations with non-Western countries (Connolly, 2018; Kochtcheeva, 2020a).

Overall, eight years of sanctions on Russia before February 24, 2022, have produced contradictory outcomes. The main political goals of the restrictions have not been accomplished. Russia did not change its foreign policy course, did not leave Crimea, and did not make unilateral concessions. Moreover, Russia stepped on a path of “sovereignization” or even a “seismic” change of politics to strengthen Russia domestically and project its influence internationally (Rutland, 2014; Trenin, 2013). The country succeeded in employing a number of instruments and resources to soften the blow to the targeted sectors from the worst effects of global challenges and, most importantly, sanctions. The Russian political system remained largely consolidated, while Moscow evaded political isolation, growing its customary connections further and developing new ones. The Russian government was able to maintain macroeconomic stability as well. In the words of David Siegel (2022, pp. 260, 268): “After nearly eight years since sanctions were first imposed, it appears that they have had the opposite effect of what was intended … the outcome of U.S. sanctions is not merely that Russia has not given up Crimea… rather it is that Russian foreign policy became increasingly more aggressive and belligerent after the sanctions were imposed and in precisely the ways that the sanctions were intended to mitigate.”

While Western sanctions imposed in 2014 caused initial disruption at the end of 2014 and in early 2015, their impact was only felt in the short term. In response to Western sanctions, Russia focused on the monopolization of strategic sectors of the economy, developing import substitution, and nurturing strategic partnerships with non-Western states in order to secure access to financial resources, investment opportunities, and export markets (Kirkham, 2023, pp. 354, 361, 366). Thus, in the energy industry, sanctions limited Russia’s access to technology but overall did not have a negative impact on oil and gas production;

instead, oil production rose until Russia concluded an agreement with OPEC to limit production. The ability of Russian firms to access public financing and their access to alternative sources of foreign capital allowed Russian energy companies to not only survive but also engage in investments and acquisition (Connolly, 2018, p. 192). In the defense industry, 2014–2021 sanctions disrupted Russia's plans for naval modernization, delaying the production of several classes of warships. Other areas of the defense industry were not influenced by sanctions, which allowed Russia to proceed with military modernization and fulfill its export obligations. In the financial industry, the decision by monetary authorities to move toward a floating exchange rate helped mitigate the impact of the reduced availability of foreign capital.

Russia's ability to adapt to sanctions was largely achievable because of the role played by the state in Russia's system of political economy. Connolly's (2018) review of the effect of sanctions on Russia concludes that the role of the state in the Russian economy allowed it to implement prompt and coordinated responses to sanctions that cushioned the targeted sectors from their intended effects. Additionally, 'Russification' of the military and the energy sectors, as well as "sanitization," were important instruments of Russia's adaptation to sanctions and permitted the country to evade a 'full-blown credit crunch' (Connolly, 2018, p. 189). The adaptation to sanctions also happened at the lower level–the level of the firm. Russia responded similarly in all targeted sectors. First, Moscow promptly securitized policy in each sector by designating Western sanctions as a threat to national security, which allowed the state to be more involved in directing the energy, defense industry, and financial sectors. Second, a process of import substitution took place, which resulted in increased domestic production of goods and technology in the energy and defense industry sectors. In the financial sector, there was an increase in domestic sources of capital. Third, Russia became more proactive in its search for alternative foreign sources of goods, technology, and capital in all three sanctioned sectors to supplement domestic sources of technology and capital (Connolly, 2018, pp. 192–193).

Western sanctions imposed on Russia in 2014 resulted in the reshaping of the Russian economy, especially in the sectors that were targeted the most by the sanctions. The successful anti-crisis measures minimized the decline, focused on domestic resources, exerted control over basic macroeconomic parameters, maintained reserves, and suppressed inflation, as well as further oriented economic policy to closer relations with non-Western countries (Fortescue, 2017; Kochtcheeva, 2020a; Mau, 2018). Russia made efforts to protect its key strategic industries by nurturing alternative, non-Western ties with the providers of technology and capital. In the words of Cafruny and Kirkham (2020, p. 96):

“increasingly due to the mobilizing potential of Russia’s state-led monopoly capitalism, anti-sanctions measures—trade diversification, counter-sanctions, import substitution, industrial modernization, technical innovation, and human resource development initiatives—have been quite effective.” As a result of the Western sanctions since 2014, the Russian economy became less vulnerable to outside political pressure.

Russia did not appear to be the only sufferer that felt the effects, as the senders, especially the EU, as Russia was the fourth largest export destination for E.U. goods, experienced negative outcomes as well. Exports from the E.U. decreased by more than 20% annually from 2013 to 2016, having grown by 20% per year in the previous four-year period (2009–2012). In terms of exports, Germany and Russia’s neighbors in Central and Eastern Europe, especially the Czech Republic, Austria, Hungary, and the Baltic countries, have suffered the most. The damage to the E.U. economy is estimated at fractions of a percent, whereas the damage to the Russian economy can be counted in much greater percentages (Timofeev, 2018; Timofeev et al., 2020). For the senders, the damages were assessed in the amount of $60.2 billion for the period from 2014 to mid-2015. Moreover, 76.5% of the damage occurred in the E.U. countries. Importantly, 83.1% of the losses fell on goods that were not used in trade embargoes; that is, the indirect damage from the sanctions turned out to be high (Crozet & Hintz, 2016).

While U.S. exports to Russia also declined, given the weak trade relations between the two countries, the American side has hardly felt the effects. Russia accounted for less than 1% of U.S. trade. The decline in trade with Russia was due to more fundamental factors associated with the slowdown in the Russian economy even before the crisis of 2014. Given the strong economic growth in the USA, the damage from sanctions on the American economy was virtually invisible (Giumelli & Bastial-Jarosz, 2017).

Crozet and Hinz (2020, p. 100) found the overall damage the sanctioning countries resulted from their own sanction regimes and policies, be it indirect or unintentional. Loss to trade amounted to U.S. $96 billion, or about 0.7% of the total predicted trade of the affected countries, until the end of 2015, with 56% being borne by Russia. However, the loss in exports in the sender countries was about U.S. $42 billion, of which 92% is suffered by E.U. countries (Crozet & Hinz, 2020).

Instigated by the sanctions, the difficult political and economic context around Russia as the promoter of Eurasian integration put the members of the Eurasian Union in a problematic position. Despite the emphasized economic nature of the EAEU, relations within the Eurasian integration project have a

pronounced political component mostly due to the uneven economic development of the members, the presence of a pronounced leader capable of accumulating economic potential, as well as a variety of interests, with which all members have embarked on the path of integration. However, the EAEU members receive preferential access to the markets of partner countries, most importantly the Russian market, which significantly contributed to overcoming crisis events and increasing economic maneuverability in comparison with actors outside the union (Makhmutova, 2020). Additionally, the Central Asian and South Caucasian countries, which were closely tied to the Russian economy, experienced a slowdown in economic growth and faced pressures on their foreign exchange markets (Karapetyan, 2023). Overall, historical ties, geographical closeness, and changes in Russia's economic situation adversely affected the economies of CIS and Baltic nations (Stepanyan et al., 2015), mainly through effects on trade, remittances, and foreign direct investment.

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4. The War in Ukraine: Avalanche of Western Sanctions and Russia's Reaction

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Abstract
This chapter illustrates the substantial differences between Western sanctions imposed on Russia in 2022 and those from 2014 to 2021 concerning their objectives, scale, and impact. These new sanctions were designed to isolate Russia from the global economy and disrupt Moscow's ability to access capital, materials, technology, and support for its ongoing conflict in Ukraine, with the hope that this suffering might lead to internal instability and eventually result in a change of government. By the end of the first year of Russia's war in Ukraine, the sanctions turned into an avalanche that impacted major industries and sectors of the Russian economy. Borozna and Kochtcheeva also provide insights into the perspectives of Russian decision-makers, policy experts, and academics. They analyze Russia's response to the sanctions, which involved adapting mechanisms and initiating plans for a new phase of economic development that puts more emphasis on sovereignty and fostering strategic partnerships with non-Western centers of power.

Keywords Sanctions – Russian economy – Ukraine war – Russia – United States – European Union – G7 – Sanctions – Economic containment – Punitive measures – Security – Military capabilities – Supply chains – Moscow

perception – Foreign companies – Political elites – Regime – Secondary sanctions – Import substitution

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4.1 Goals of Sanctions

The tension between the West and Russia has been growing since 2014, but three crucial events precipitated Russia's build-up of its military on the Ukrainian border. First, in 2019, Ukraine incorporated into its constitution the aspiration to join NATO ("Ukrainian president signs," 2019). Second, in 2020, under the new President Volodymyr Zelensky, Ukraine became a NATO "enhanced opportunities partner" ("NATO recognizes," 2020). And third, from March to June 2021, the U.S. Army led its largest-ever military exercise in Europe, bringing together 28,000 troops from 27 countries. The exercise, *Defender Europe 2021*, involved nearly simultaneous operations in over 30 training areas in a dozen countries (South, 2021). It was the largest U.S. military exercise in Europe in many years. In April 2021, in preparation for holding joint NATO-Ukraine military drills, the Ukrainian Armed Forces made a statement about the upcoming drills: "In particular, defensive actions will be worked out, followed by an offensive in order to restore the state border and territorial integrity of a state that has been subjected to aggression by one of the hostile neighboring countries" ("Ukraine lines up," 2021). Russia responded to the perceived threats of escalation by building up its military troops on the Russian side of the border with Ukraine. On April 14, 2021, the Secretary of the Russian Security Council, Nikolay Patrushev, declared that Ukrainian special forces and extremist groups regularly engage in provocative activities on the state border. He further asserted that at the request of Western donors, training facilities for sabotage and reconnaissance units have been established in Ukraine (Yegorov, 2022). The following day, April 15, 2021, the President of the United States, Joe Biden, signed a new Executive Order in which Russia was described as presenting an "unusual and extraordinary threat to the national security, foreign policy, and economy of the United States" (White House, 2021). This Executive Order outlined a new set of sanctions related to Russia's technology sector and defense, as well as specific individuals working in the Russian government.

After the build-up of Russian troops on the border of Ukraine at the end of 2021, there was a new set of Western sanctions on Russia. Furthermore, one month prior to Russia's SMO and in response to Russia's amassing of military forces along Ukraine's border, the U.S. Secretary of State, Antony Blinken (2022), commented in anticipation of Russia's military action in Ukraine: "it's bigger than a conflict between two countries. It is bigger than Russia and NATO.

It is a crisis with global consequences, and it requires global attention and action." As a result, the administration of U.S. President Biden prepared "sanctions with massive consequences" in the event of an invasion, planning to "start at the top of the escalation ladder and stay there" (White House Press Release, January 25, 2022c). On February 21, 2022, the same day that Russia recognized the independence of the Donetsk People's Republic (DNR) and Luhansk People's Republic (LNR) regions of Ukraine, the White House issued a new Executive Order imposing comprehensive sanctions on these regions (White House, 2022a) and on February 22, 2022, the U.S. Government implemented a series of additional sanctions measures against Russia (U.S. Department of State, 2022).

However, sanctions imposed at the end of 2021 and the beginning of 2022 failed to deter Russia's invasion of Ukraine on February 24, 2022. After Russia started its SMO, the Group of Seven (G7) countries (Canada, France, Germany, Italy, Japan, United Kingdom, and the United States), together with the European Union, responded in concert to the Russian invasion of Ukraine (European Commission, 2023). The new set of sanctions was introduced with the objective of isolating Russia from the international economy and hindering Moscow's ability to obtain the capital, materials, technology, and support that sustain its war against Ukraine (White House, 2022b). On March 1, 2022, the European Union, United Kingdom, Canada, and the United States jointly agreed to exclude seven Russian banks from the SWIFT messaging system. These banks included Bank Otkritie, Novikombank, Promsvyazbank, Rossiya Bank, Sovcombank, VEB, and VTB ("E.U. cuts seven," 2022). Notably, the E.U. ambassadors initially refrained from imposing restrictions on Sberbank, the largest bank in Russia, which is partially owned by the Russian gas giant Gazprom. Gazprombank was also not subjected to sanctions. However, on May 31, 2022, the European Union decided to remove Sberbank from the SWIFT system as part of its sixth package of sanctions. It also prohibits U.S. financial institutions from engaging in secondary market trading for ruble bonds or from engaging in the SWIFT global financial system. In his annual State of the Nation address, President Putin declared that U.S. sanctions were unlawful, politically motivated, and part of an attempt by the United States to impose its will on other countries. Putin warned of an "asymmetric, swift and severe" response if the West crossed" "red lines" that would harm Russia's external security or interfere in Russian internal affairs (Herd, 2022). Thus, the goal became—economic attrition—"sapping Russia's economic vitality" (Fishman, 2023).

The Western nations aimed to hinder Russia's economic and military capacities in the hope of preventing Russia from causing further damage to

Ukraine. Western sanctions imposed on Russia in 2022 differ significantly from the sanctions in 2014–2021 in terms of their goals and scope. Shortly after Russia started its SMO, the U.S. and its allies in Europe made a joint statement about imposing "severe and immediate economic costs on Russia in response to Putin's war of choice against Ukraine." The measures included "sweeping financial sanctions and stringent export controls that will have a profound impact on Russia's economy, financial system, and access to cutting-edge technology" (White House, 2022b). The sanctions aimed to "impose severe costs on Russia's largest financial institutions and . . . further isolate Russia from the global financial system" and "suppress Russia's economic growth, increase its borrowing costs, raise inflation, intensify capital outflows." Sanctions targeted all ten of Russia's largest financial institutions, including the imposition of full blocking and correspondent and payable-through account sanctions and debt and equity restrictions on institutions holding nearly 80% of Russian banking sector assets (White House, 2022b). Financial sanctions aimed to paralyze the Russian financial system, hoping to trigger panic and currency collapse in Russia.

Banning Russian banks from using SWIFT meant that the affected banks could neither get foreign currency nor transfer assets abroad, and while, technically, these banks could continue their international transactions without SWIFT, these transactions became more expensive, complex and required mutual trust between financial institutions (Council of E.U., 2022). However, the most severe financial measure imposed on Russia was freezing its foreign exchange reserves. On February 28, the Central Bank of Russia was blocked from accessing close to $300 billion in its foreign exchange reserves abroad (Cohen & Smialek, 2022; "Value of assets," 2023). The Biden Administration expanded sanctions on Russian sovereign debt (bonds issued by the Russian government), including prohibiting U.S. financial institutions from processing debt payments from the Russian government to foreign investors. As a result, Russia defaulted on its debt in June 2022 (Nelson et al., 2023).

The U.S. administration also banned new investment in Russia. In collaboration with its allies, these sanctions are designed to restrict Russia's access to financial resources from the United States and its partner nations. The goal of such a severe financial measure was to undermine Russia's ability to prop up its currency by selling foreign reserve assets. By blocking access to the foreign reserves, the West took away from Russia a cushion of foreign assets to provide funds to its banks. Despite Russia possessing the gold reserves stored inside the country, selling this gold is complicated by sanctions. The E.U. has also prohibited the sale, supply, transfer, and export of euro-denominated banknotes to Russia, aiming to limit Russia's access to cash in the euro (Council

of E.U., 2022). By blocking Russia's access to its foreign reserves, the West anticipated that the Kremlin would have difficulty mitigating the effects of sanctions. The goal of the sanctions was to spark a banking crisis, causing a collapse of the Russian ruble and, as such, to take away from the Russian government its main tool of managing its macroeconomy. The collapse of the ruble would inevitably cause the collapse of the Russian economy.

Besides financial sanctions, the U.S. and its allies imposed unprecedented export control measures aimed at cutting off more than half of Russia's high-tech imports, restricting Russia's access to vital technological inputs, atrophy Russia's industrial base, and "undercutting Russia's strategic ambitions to exert influence on the world stage" (White House, 2022b). The goal of the sanctions was to take down the "Fortress Russia," in the words of Josh Lipsky, director of the Atlantic Council's Geo Economics Center and a former adviser at the International Monetary Fund (Davidson & Weaver, 2022).

One week after Russia invaded Ukraine, President Biden stated in his 2022 State of the Union address that the U.S. was building a coalition months before Russia's invasion: "We prepared extensively and carefully. We spent months building coalitions of other freedom-loving nations in Europe and the Americas to — from America to the Asian and African continents to confront Putin" (White House, 2022d). Biden made it clear that the goal of the sanctions was to weaken Russia economically and militarily: "we're choking Russia's access to technology that will sap its economic strength and weaken its military for years to come" (White House, 2022d). The goal of curbing Russia's access to microelectronics, chips, and semiconductors was to stumble Russia's production of cars and aircraft, thus crippling not just Russia's ability to produce military arsenal but also products for civilian needs. The United States and its allies imposed bans or restrictions on products intended for military purposes, as well as restrictions on the export of foreign-originating items such as semiconductors manufactured with American advanced technologies. Semiconductors, or integrated circuits, are a dual-use technology that can be employed in a variety of applications, from smartphones to rocket systems. The U.S. and its allies sought to penalize Russian imports of these components. In addition to financial and trade sanctions, the U.S. and its allies closed off their air space to all Russian flights, imposed visa restrictions on Russian citizens, and went after the processions of Russian oligarchs. Furthermore, numerous multinational companies have either closed their Russian facilities or suspended their exports to Russia.

While the main stated goal of sanctions was to curb Russia's ability to fight war against Ukraine, the implied goal was always to punish the Russian

leadership, and in particular, its President–Vladimir Putin. Thus, most of the Western leaders who supported sanctioning Russia addressed their goals directly to President Putin. Biden warned: "He [Putin] has no idea what's coming. The ruble has already lost 30% of its value, the Russian stock market has lost 40% of its value, and trading remains suspended. The Russian economy is reeling, and Putin alone is the one to blame" (White House, 2022d). U.K. Foreign Secretary Liz Truss made a similar message on March 3, 2022: "Our message to Putin and his allies has been clear from day one – invading Ukraine would have serious and crippling economic consequences. Sanctioning Usmanov and Shuvalov sends a clear message that we will hit oligarchs and individuals closely associated with the Putin regime and his barbarous war. We won't stop here. Our aim is to cripple the Russian economy and starve Putin's war machine" (Truss, 2022). The French Finance Minister Bruno Le Maire joined the U.S. and U.K. and declared an "all-out economic and financial war" against Russia to bring down its economy (Lough, 2022).

The E.U. explains the goal of its sanctions on Russia as follows: "The aim of the economic sanctions is to impose severe consequences on Russia for its actions and to effectively thwart Russian abilities to continue the aggression. The individual sanctions target people responsible for supporting, financing or implementing actions which undermine the territorial integrity, sovereignty and independence of Ukraine or who benefit from these actions" (Council of E.U., 2022). The U.K. also radically strengthened its sanctions policy due to the Russian SMO in Ukraine. Two weeks before the SMO, as a reaction to the maneuvers of the Russian army in the southwestern direction, the British Foreign Office amended the Russia Sanctions Regulations (2019). Accordingly, any person who directly or indirectly participated in the events around the Ukrainian crisis, as well as any person directly or indirectly related to the Russian government, and also those working in strategic sectors of the Russian economy in the interests of the Russian government, could be subject to blocking sanctions. Overall, the U.K. has imposed sanctions on over 1,500 Russian individuals since February 2022. Additionally, Russian assets, including private residencies, yachts, bank accounts, and other personal properties amounting to £26 billion, have been frozen in the U.K. Similar to approaches in other Western nations, London is actively seeking lawful means to seize and subsequently sell these assets, bypassing legal recourse for the original owners, and redirect the funds to Ukraine. Moscow has criticized these actions, labeling them as 'theft' (Devonshire-Ellis, 2023).

After the start of the SMO, the Sanctions Regulations incorporated another nine amendments, including but not limited to restrictions on dual-purpose

products, military goods, and goods “critical of the most important industrial sectors,” restrictions on access to U.K. ports of sea vessels flying the Russian flag, financial sanctions against assets of the Central Bank, National Welfare Fund, Ministry of Finance of Russia and entities controlled by them, export controls on aerospace and services insurance for this industry, and export of luxury goods to Russia. Along with other G7 members, the U.K. Government (2022) canceled a most favored nation treatment in trade with Russia and Belarus. Overall, G7 countries broke off normal trade relations with Russia, Australia, Switzerland, and several other countries also joined the mentioned financial, transport, and trade measures by varying degrees.

Further, on April 8, 2022, the U.S. Congress adopted into Law the “Suspending Normal Trade Relations with Russia and Belarus Act,” which prevented normal trade relations with Russia and Belarus and permanently authorized the U.S. President to impose visa- and property-blocking sanctions based on violations of human rights, and to proclaim increases in the rates of duty applicable to products of Russia or Belarus (U.S. Congress, 2022). The stated aim of the bill was to: “(1) condemn the recent aggression in Ukraine, (2) encourage other World Trade Organization (WTO) members to suspend trade concessions to Russia and Belarus, (3) consider steps to suspend Russia’s participation in the WTO, and (4) seek to halt the accession process of Belarus” (U.S. Congress, 2022).

Similar to 2014–2021 sanctions, Russia’s energy became one of the main targets of the 2022 sanctions. Considering that the energy industry is a main contributor to Russia’s GDP, the goal of the sanctions was to destroy Russia’s economy. Shortly after the invasion, the U.S., UK, Canada, Australia, and the E.U. introduced an import ban on Russian crude oil and refined oil products. The U.S. banned all Russian oil and gas imports in March 2022, and the U.K.’s initial goal to phase out Russian oil imports by the end of the year was achieved by June 2022 (Elliott, 2022). On February 3, 2023, the G7, the E.U., and Australia set price caps for Russian diesel and other refined petroleum products with the goal of limiting Russia’s revenues while keeping Western markets supplied. The cap officially took effect on February 5 and followed an earlier E.U. embargo on Russian seaborne crude oil, for which a crude price cap at $60 per barrel was set on December 5, 2022 (“Factbox: G7-led coalition,” 2023). Companies from the countries imposing price caps are forbidden from providing shipping or insurance services to facilitate the trade of Russian oil unless the trade is verifiably below the price cap (Heussaff et al., 2023).

In several weeks following Russia’s SMO in Ukraine, the extent of Western sanctions reached a volume comparable to the volume of sanctions imposed on

Iran over four decades (Timofeev, 2022d). The West was very swift in imposing sanctions on Russia. No other country in history experienced such an unprecedented number of sanctions imposed in a short period of time. In just two months from the beginning of SMO, there were 7,374 sanctions imposed on Russia, compared to 2,754 sanctions imposed on Russia between 2014 and February 2022, to make it a total of 10,128 sanctions ("Volodin Podschital," 2022).

Some analysts compare Western sanctions on Russia to economic containment. Thus, Norrlöf (2022) writes: "The allied strategy amounts to financial and security entrapment, decoupling Russia from the world economy and military suppliers. The immediate goal is to stop the killing spree by raising the price of financing the war and the overall cost of not reaching a peace settlement. The long-term goal is to punish Russia by cutting its financial and security ties to the outside world, weakening the basis of Russia's global power, and thus deterring future revision of the international order."

While the initial stated goals of the Western sanctions were to punish Russia for its aggression in Ukraine, as time passed, the goal of sanctions started to look more aimed at changing Russia's regime. Thus, on March 26, 2022, during his visit to Poland, President Biden said of Russian President Vladimir Putin: "For God's sake, this man cannot remain in power." Though Biden's administration tried to downplay the President's speech, saying that the U.S. is not seeking a regime change in Russia, Biden's statement did not go unnoticed in Russia (Shivaram & Schneider, 2022).

One year after the start of the Russian invasion of Ukraine, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) initiated a new set of sanctions against Russia to diminish its ability to continue the war by targeting the metals and mining sector of the Russian Federation economy. In order to prevent Russia's evasion of sanctions and export controls, the U.S. government ramped up efforts to counter such evasion around the world by designating over 30 third-country individuals and companies connected to Russia's sanctions evasion efforts, including those related to arms trafficking and illicit finance. The U.S. targeted more financial institutions and banks, including smaller ones, as well as wealth-management firms, accounting firms, and individuals that play key roles in Russia's financial services sector (U.S. Department of Treasury, 2023a). The new set of sanctions in February 2023 targeted Russia's military-industrial complex and military supply chains by imposing restrictions on key entities and individuals that support Russia's military capabilities, such as entities that produce carbon fiber and related advanced materials, since carbon fiber and related materials are used in almost

all defense-related platforms including aircraft, ground combat vehicles, ballistic missiles, and military personal protection gear, as well as other weapons systems (U.S. Department of Treasury, 2023a).

Thus, by the end of the first year of Russia's war in Ukraine, the sanctions turned into an avalanche and impacted major industries and sectors of the Russian economy: financial services, energy sector, defense, and related material sectors of the Russian Federation economy, including insurance, accounting, trust and corporate formation, management consulting, quantum computing, aerospace, marine, electronics, technology, trade of metals and minerals, research institutes, and many others.

The Department of Treasury imposed an additional round of sanctions on August 11, 2023, targeting this time specific members of the Russian Elites and a Russian Business Association (U.S. Department Treasury, 2023c). The focus of the sanctions is on influential figures within Russia's financial circles, as well as a prominent Russian business association. The individuals targeted are Petr Aven, Mikhail Fridman, German Khan, and Alexey Kuzmichev—all previously served on the supervisory board of the Alfa Group Consortium, a major financial and investment conglomerate in Russia. Australia, Canada, the European Union, New Zealand, and the United Kingdom have previously imposed sanctions on these individuals. The United States also targeted The Russian Union of Industrialists and Entrepreneurs (RSPP), also known as the Russian Association of Employers, a technology sector-focused organization within the Russian Federation. U.S. sanctions targeted the RSPP due to its dedication to Russia's technological self-sufficiency. Additionally, the RSPP has actively participated in endeavors concerning Russia's reactions to sanctions imposed following Russia's complete invasion of Ukraine. The RSPP was identified under Executive Order (E.O.) 14024 for its involvement in the technology sector of the Russian Federation economy (U.S. Department of Treasury, 2023c).

Furthermore, the U.S. and E.U. also target businesses in the countries that continue trade and economic relations with Russia. Blocking sanctions are already used quite often on small intermediary firms that are focused on sanctioned jurisdictions. On February 24, 2023, the U.S. Department of Treasury applied blocking sanctions on a Swiss-Italian businessman, Walter Moretti, and his partners from Germany and India and on two Indian legal entities that were used as intermediaries for the supply of high-tech goods to Russia. At the same time, the U.S. blocked a number of companies and persons associated with them from Liechtenstein, the Netherlands, Poland, Germany, Finland, and Estonia (U.S. Department of Treasury, 2023a). In March and April 2023, companies from Armenia, China, the United Arab Emirates, Turkey, and Uzbekistan fell

under blocking sanctions for similar reasons. On July 20, 2023, the U.S. Department of the Treasury's Office of Foreign Assets Control placed four companies from Kyrgyzstan into the next round of blocking U.S. financial sanctions against Russia due to their engaging in the supply of dual-use goods under U.S. export control to Russian customers through Kyrgyz jurisdiction. In the words of Deputy Secretary of the Treasury Wally Adeyemo, these measures: "represent another step in our efforts to constrain Russia's military capabilities, its access to battlefield supplies, and its economic bottom line" (U.S. Department of Treasury, 2023b). The European Union has also introduced instruments into its Law that allow the application of similar sanctions. For example, the E.U. Council Regulation 269/2014 empowers the Council to impose blocking sanctions against any individuals and legal entities involved in circumventing sanctions against Russia. The 11th round of sanctions also named 87 companies from third countries, which, according to the E.U. authorities, bypass the Union's export controls and are subject to restrictive measures (European Commission, 2023).

Thus, the overall goals of Western sanctions are to isolate Russia from the international economy and hinder Russia's ability to access foreign capital, materials, technology, and support that sustain its war against Ukraine. One other anticipation among the senders of sanctions, not overtly written in the documents but stated by Western politicians, is to inflict harm and pain on the Russian population in hopes of producing a regime change in Russia. Russia's perception of the sanctions and their effectiveness will be addressed in the next section.

4.2 Russia's Perception and Response

Russia's President Vladimir Putin described the first round of sanctions in the wake of SMO in February 2022 as a "declaration of war" (Schwirtz et al., 2022). The avalanche of sanctions against Russia due to its military operation in Ukraine is unparalleled. More than 14,000 sanctions and restrictive measures have been introduced against the country. Supporting the U.S. lead, the E.U. alone has adopted eleven packages (Sapir, 2023). Although Russia is a major nuclear power, such consolidated pressure from a collective West coalition and its allies, which account for more than 60% of the world's GDP, clearly confronts the typical pattern (Arapova, 2022). Almost all known instruments of sanctions are now being used against Russia, including blocking sanctions, trade restrictions, transport bans, and even such an exceptional anti-free market measure as an oil price cap. Most Russian banks lost access to the SWIFT system, an embargo was imposed on the supply of oil and gas to Western

markets, and the West froze 50% of Russian foreign reserves.

Sanctions were targeting not only Russian businesses directly but anyone doing business with Russia, which resulted in a mass exodus of foreign companies from Russia. The departure of foreign companies was aimed to affect the work of many important sectors of the Russian economy, including aviation, finance, intellectual technologies, agriculture, and hydrocarbon production. As a result of sanctions, Russia has been cut off from supplies of everything that can be called dual-use goods, including electronics, machinery, lasers, navigation equipment, cars and trucks, and even household appliances. These are hundreds of items that are not only those produced in the West but also those produced in third countries using Western technologies. In addition, all these measures were introduced in a record-breaking period of time. Many Western businesses produced enormous and speedy imposition of voluntary sanctions, with more than 1,000 Western companies declaring full or partial withdrawal from Russia, succumbing to pressure from their governments and fearing reputational risks (Blinov, 2022; Chachko & Heath, 2022; Gerasimov et al., 2023; Kuznetsov, 2022; Sonnefeld & Tien, 2023; Primakov et al., 2023; Timofeev, 2022b, 2022c, 2023).

In Moscow's view, the initial design of sanctions has been introduced as a means of forcing Russia to a ceasefire and restoring the territorial integrity of Ukraine (Sapir, 2023). At the same time, restrictions are actually collective in nature and affect all citizens of the Russian Federation, despite the initial assurances of Western countries that the sanctions aim only to "force the Russian political regime" to stop the special operation in Ukraine ("Kakie sanktsii vvodili," 2022). Sanctions are increasingly perceived not as "individual" or targeted but as "territorial," that is, extending to everyone without exclusion (Gerasimov et al., 2023). According to former President Dmitri Medvedev (2022), sanctions are based on hatred of Russia, Russians, Russian culture and religion. Another obvious goal is to increase the costs of a military campaign, to deplete the country's technological, financial, and industrial capabilities, and to deny its place in the U.N. Security Council, culminating in the so-called strategic defeat (Kosachev, 2023). Overall, sanctions are perceived as "short-sighted, exaggerated political ambitions and Russophobia, at the expense of their [senders] own national interests (Putin, 2022).

Russian decision-makers view the rift in relations between Russia and the West as going beyond the Ukrainian issue (Dubinin, 2022). In this view, Russia, in its current political configuration, is fundamentally unacceptable to the West. In the words of Russian Foreign Minister Sergey Lavrov, the collective West is "waging war against our country with the task of finally resolving the 'Russian

question'" (Lavrov, 2023a). All Western sanctions, in the Russian elite's view, are designed to overthrow the current Russian government and incite a revolution in the country (Lavrov, 2023b). The West expects that under the burden of sanctions, Russia will lose its strength, its elite will split, and society will become embittered, which will create opportunities for reformatting Russia in the way the West needs. The strategic goal of sanctions, as viewed by the Russian political elite, is to create conditions for the transformation of the political regime and the disarmament of Russia to such an extent that it can no longer pose a threat.

The view of sanctions as an existential security threat to the state led to the securitization of sanctions–using the rhetoric of security in all public discourse related to sanctions. Securitizations of threat by the Russian elite found a fertile ground among the majority of the Russian population that sees the West as intent on weakening Russia. During his address to the Federal Assembly on February 21, 2023, President Putin stated that the West: "plan[s] to finish us once and for all. In other words, they plan to grow a local conflict into a global confrontation. This is how we understand it" (Putin, 2023). Moscow also views the key goal of economic sanctions as aiming to impose enough economic damage and social frustration on Russia to force it to change its course, one which is unacceptable to the senders (Timofeev, 2022c, 2023). This view of sanctions has long become a prevailing one among the Russian foreign policy elite.

Russia's response to sanctions is consistent with the previous research on sanctions, which demonstrates that in the overwhelming majority of cases, while sanctions are damaging to the economy of the target state, the political goal of sanctions remains unattained (Sapir, 2023). The senders of sanctions are often aware of the limited impact of restrictions on political behavior, but they continue to impose them in an attempt to curtail the military and economic development of the target country. It is especially difficult to implement such sanctions when it comes to using them against a more or less major power, relations with which are confrontational, and the subject of contradictions is a matter of principle for both sides. The fact that the wave of sanctions does not change Russia's course of action is a pattern, not an exception. Consequently, from the point of view of influencing the political course of Russia towards Ukraine, the restrictive measures are ineffective. Despite the imposition of sanctions, Russia expanded its jurisdiction by incorporating four Ukrainian regions, a move ratified into law by President Putin, while the conflict persists.

Russia's behavior amid the 2022 wave of sanctions turned out to be not merely reactive but proactive. Despite the severity of the blow, the government

managed to mitigate its effects and create prerequisites for further adaptation. Russian financial authorities have built a national payment system that is technically independent of external players (Timofeev, 2022c). In combination with the actions of the Bank of Russia, the Ministry of Finance, and other departments, the authorities maintained financial stability (Dubinin, 2022). The rise in energy prices also played a role by supporting the exchange rate of the national currency and partly compensating (at least temporarily) for the loss of Western markets. The impossibility of an instant rejection of Russian natural resources and goods without unacceptable damage to the senders gives Moscow time to implement emergency measures. Their success is not guaranteed, but it buys time to dissolve the cumulative effect of sanctions. In other words, both damage and adaptation are typical.

Many Russian observers view the Western economic blockade, with all its costs, as opening a new page in the history of the Russian economy. A so-called forced restructuring of the economy is taking place in Russia (Dubinin, 2022). According to Dmitry Trenin (2023): "sanctions dealt a crushing blow to the former model of Russia as a 'petro station country'." The Russian economy not only survived but was also pushed onto a path that had previously been prevented by the powerful inertia of elite interests and Western-oriented thinking. As Russia is moving away from the Western-centric global economy, it may be replaced by closer integration with the Chinese market, as well as the markets of other friendly countries (Timofeev, 2022b, 2022c). Third, Moscow is determined to preserve the market system and not pursue centralization. The role of individual entrepreneurs, their energy, and their adaptability to new conditions, however, will be no less, and possibly even more significant, than state regulation. The need to replace falling imports stimulates domestic industrial production. Plans have already been drawn up for the revival of the civil aircraft industry, a significant increase in space programs, and the ambitious task of restoring the country's technological sovereignty (Trenin, 2023).

Sanctions, in general, and the "cancellation of culture," in particular, only increased the consolidation of the Russian elite and society around the current government. Governor of the Omsk Region Alexander Burkov (2023) stated that sanctions "only confirm the correctness of what we are doing - we work for the needs of the front, we solve the problems of import substitution, we defend the historical truth and the sovereignty of the country." The patriotic wing of the elite has increased and strengthened. As of December 31, 2022, the number of Russian physical and legal persons on the sanctions lists increased by 3.2 times, reaching 3,590 against 1,126 in mid-February, and the number of Russian persons under blocking sanctions from Western countries increased by 4.2 times

and reached 3,071 (Gerasimov et al., 2023). This trend and the September draft due to partial mobilization produced an outcry in different layers of society. While hundreds of thousands of people, mainly from the liberal part of society, went abroad, at least for the duration of the SMO, those who stayed became more united, demanding not only professionalism and accountability from the authorities but also striving to improve the situation on their own (Trenin, 2023).

The hottest phase of sanctioning of Russian individuals and legal entities took place from February to April of 2022. The lists of measures have been changing every day, even several times a day. To a large extent, this was because, during this period, the senders of sanctions were competing or catching up with each other, demonstrating consolidation, coordination, and determination. Since May 2022, sanctions activity began to slow down somewhat. However, the senders have learned how to react faster to certain actions of Russia (Gerasimov et al., 2023).

However, this does not mean that the West ran out of restrictive measures, and the senders of the restrictions have nowhere else to expand. The expansion will not be in the tools themselves but rather in the sophistication of the tools and the enforcement measures. For instance, sanctions from other third countries may be imposed on the persons involved in one or another sanction list. This will entail a refusal to cooperate with persons from countries that have not imposed restrictions on them for fear of secondary sanctions, which carries a serious threat (Primakov et al., 2023). The fear of secondary sanctions and coercive measures for violating the sanctions regime shows that even in friendly countries, businesses are excessively cautious in dealing with Russia (Dubinin, 2022). Delays or cancellations of bank payments have become ubiquitous, as have traditional supply chains disrupted and markets lost.

The potential remaining sanctions available to the West are of a smaller scale than those that are already imposed, but as Russian analysts predict, the effect will be cumulative and likely pick up in the next 2–3 years (Lukyanov, 2023). Russia has managed to transfer significant volumes of its oil to Asian markets, although it is selling it at a discount. It will be more difficult with the replacement of markets for petroleum products. In general, the reorientation to Asia is inevitable and has no alternative. However, the costs will continue to grow, and the returns will quite likely be smaller. The decline in production and export of oil and gas, coal, iron, and steel products in the next few years may become inevitable.

Some Russian experts estimated that the harm from the oil and petroleum products embargo would be more substantial compared to the price cap (Dubinin, 2022). As for gas supplies, the situation is even more unbalanced

because there is the problem of Nord Stream sabotage, which the international community refuses to investigate. At the same time, Europe is making considerable efforts to abandon Russian gas as well. The question, however, is how soon they will succeed, as diversification of gas flows is much more difficult due to the infrastructural difficulties. On the other hand, it is also necessary to take into account the factor of transition to green energy. The process of moving away from gas will likely be slow.

Another serious problem pointed out by Russian observers is the shortage of industrial and high-tech goods and components, especially electronics. Due to the specifics of the industry, both deliveries from alternative suppliers in friendly countries and rapid import substitution within the country are demanding. As capacities wear out, the ban's effect on the export of machine tools, robotics, engines, and a wide range of other industrial products to Russia will also accumulate. Domestic enterprises are looking for relationships and suppliers in friendly states. However, many large Russian industrial enterprises and companies in the field of high technologies are included in the lists of blocked persons, which means that financial transactions with them are fraught with secondary sanctions, administrative, or even criminal prosecution, similar to the Iranian case. A very similar situation exists with the Russian banks, where disconnection from SWIFT is not the main concern for many of them, but rather blocking them is the problem. The expansion of the number of Russian banks that are under sanctions will lead to the fact that the opportunities for business in foreign transactions will narrow even with friendly countries. The senders are likely to continue to influence the behavior of Russia's foreign connections. At the political level, governments may not join the course of the West, but some companies are forced to be careful or even curtail their partnership with Russia (Timofeev, 2022c).

There is anxiety among the Russian elite at the prospect of transferring part of the frozen funds by the West to Ukraine for the restoration of the armed forces and infrastructure. It should be noted that the freezing and risk of confiscation affected Russian state property, as well as assets of blocked individuals and organizations, such as bank accounts, real estate, yachts, and football clubs. It could all be described as the transformation of the practice of freezing into the practice of forced seizure. Some believe that the reserves will not be returned to Russia, as well as the assets of Russian businessmen and citizens, which are frozen. Moreover, legal mechanisms could be created for their confiscation and transfer in favor of Ukraine (Timofeev, 2023).

The avalanche of sanctions also prompted Russia to develop its own sanctions policy. Previously, in response to the restrictive measures of the West,

Moscow resorted mainly to visa restrictions or banned the import of certain goods, especially foods. Currently, the mechanisms of Russia's sanctions policy are somewhat reminiscent of the approaches of Western countries. For instance, from March 15, 2022, to December 31, 2022, the Ministry of Foreign Affairs imposed a ban on entry into Russia for 3,405 foreign individuals. The Russian Government, on March 5, 2022, ordered the creation of a list of foreign "unfriendly countries." The list includes almost 50 countries and territories, including the US, the UK, members of the European Union, Japan, Canada and others. Russian legislation (No. 430-r) provides for a number of restrictions for persons associated with unfriendly states, such as termination or suspension of cooperation in certain areas, a ban on committing certain currency transactions, and a ban on exiting Russian assets (Gerasimov et al., 2023). Russia established a ban on transactions with private citizens under Russian sanctions. The Government Decree No. 851 of May 11, 2022, introduced some measures of economic character, including a ban on entering into transactions with persons under sanctions and a restriction on fulfilling obligations to persons under sanctions on completed transactions if such obligations are not fulfilled fully or partially.

Overall, many Russian analysts and politicians believe that sanctions will not be able to isolate Russia, yet they do increase costs and complicate its foreign trade. While economists keep working on a complete picture of the losses suffered by the Russian economy based on statistical data, sanctions have not caused widespread economic collapse or halted Russia's military effort. Russia's adaptation is expected to be challenging, but inevitable, with a strong likelihood of sustaining a political divergence from the West.

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5. Sanctions Busting: The Role of Various States in Russia's Resistance to Sanctions

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Abstract
This chapter delves into the concept of "sanctions busting" and explores the roles played by various countries in alleviating the impact of sanctions on Russia as a target nation. Borozna and Kochtcheeva demonstrate that despite strong support for sanctions from Western countries, a significant portion of the international community has chosen to maintain trade relationships with Russia and adopt a neutral stance in the ongoing situation. China, in particular, has been critical of sanctions and has offered political support to Moscow while expanding trade links. Furthermore, numerous European and Asian businesses have actively explored ways to circumvent sanctions, effectively providing Russia with restricted goods. This chapter sheds light on the complex dynamics of international relations in the context of sanctions and how various nations and businesses have responded to the sanctions' regime targeting Russia.

Keywords Sanctions – Russia – Russian economy – Resistance to sanctions – Sanctions evasion – Sanctions busting – Dual-use technology – Adaptation – Exports – Trade – Semiconductors – Equipment – China – Turkey – India – Iran – Cyprus – UAE – Belarus – Georgia – Kazakhstan – Kyrgyzstan – Armenia – Lithuania

Despite the enthusiasm for sanctions among Western countries, many other states, including Central Asia, Caucasus, Middle East, Central and South America, Africa, and most Asian countries continue to trade with Russia and remain neutral. China, which is highly critical of sanctions in general, provides Moscow with political support and increasing trade. India, Brazil, Saudi Arabia, South Africa, and the UAE have been trying hard to avoid picking sides while seeking to benefit from their apparent neutrality. Many European and Asian businesses have been actively circumventing sanctions, providing Russia with sanctioned products. By the end of 2022, 8.5% of E.U. and G7 companies had divested at least one of their Russian subsidiaries (Evenett & Pisani, 2022). Sanctioned timber is still being traded to E.U. countries through third countries, such as China, Turkey, Kazakhstan, and Kyrgyzstan. While some European traders had false certifications on the origins of the timber, other traders openly admitted to getting the timber from Russia (Acosta, 2023). Additionally, according to researchers from the Kyiv School of Economics, the majority of European-owned companies operating in Russia prior to the outbreak of the war continued to do so eighteen months after (Bilousova et al., 2023). Overall, "legal loopholes, opportunistic corporate behavior, government dithering, influential industrial lobbies in Western countries, and lack of cooperation by emerging economies have all contributed to blunting the impact of sanctions" (Fubini & Prokopenko, 2023).

Corisk, a Norwegian risk consultancy, analyzed customs data from twelve European Union countries, plus Norway, the United Kingdom, the U.S., and Japan, and found that circumventing export sanctions to Russia amounted to $8.5 billion in 2022. Germany is the biggest exporter of sanctions-related goods to Russia, followed by Lithuania. Together, these two countries account for half of Western goods that Moscow should not be able to access. Corisk's research shows that European companies, notably German firms, use third-country sales to sell their goods to Russia. The analysis of export data for sanctions-related goods shows that luxury items, such as jewelry and perfumes that Moscow's elite enjoy, as well as advanced technology, such as semiconductors, quantum computers, machines, and transportation equipment, are all exported to Russia (Lindeman & Dale, 2023).

While Western exports of goods to Russia decreased in early 2022, those to its neighbors increased significantly. According to Eurostat data, the volume of exports from the E.U. to the countries of the former Soviet Union increased by 80% over the 18 months beginning in January 2022. The volume of E.U. exports to Georgia, Azerbaijan, Armenia, and Kyrgyzstan also increased by 80%. There

are strong indications that some of these exports may be rerouted to Russia (Briancon, 2023). Many sanctioned products from the states that joined the "sanctions coalition" found an indirect way to the Russian market. The Yermak-McFaul expert group (consisting of Ukrainian and American experts) found 1,057 components, including microchips and microprocessors produced in 155 foreign companies, two-thirds of which were Western, including components from the United States and France (Bouissou, 2023).

The proliferation of semiconductors in a variety of consumer goods has made it increasingly difficult to control the illegal trade in chips. In 2021, companies shipped 1.15 billion chips to customers around the world, further contributing to a large global inventory. The Semiconductor Industry Association, a trade association representing major chip companies, has stated that it is working with the United States government and other entities to combat the illegal trade but that controlling the flow of semiconductors is proving to be particularly challenging (Swanson & Stevis-Gridnef, 2023).

5.1 China

On a large range of issues, cooperation with China has no alternatives for Russia and it is the most beneficial. While due to the risks of secondary sanctions, many countries are avoiding trading with Russia, China has assumed the role of Russia's primary trade partner, accounting for approximately 20% of Russia's overall exports and contributing to 35% of Russia's total imports in 2022 (Free Russia Foundation, 2023). Russia-China cooperation is supported by an unparalleled level of political relations, an already created basis for economic partnership, an objective need of Russia in Chinese goods and technologies, and the reciprocal interest of the PRC in the emerging Russian market (Timofeev, 2023). While Russia needs to replace Western imported goods on its market as well as find the markets for its exports, China is highly integrated into the global economy, while it is facing the risk of losing markets in the U.S., E.U., or other countries as a result of restrictive measures. In response to whether Beijing is worried about being sanctioned by the U.S. over Russia's war with Ukraine, China's Foreign Ministry spokesman Zhao Lijian stated that "China always opposes using sanctions to solve problems" ("China says it," 2022).

Importantly, after the exclusion of key Russian banks from the SWIFT system, the country needs an effective financial mechanism for transactions with foreign partners. As Western banks have scaled back their activities in Russia in response to regulatory pressures, political considerations, and sanctions, Chinese banks have been expanding their presence in the country. Four of China's largest

banks have increased their financial involvement with Russia, raising their exposure from $2.2 billion before Russia invaded Ukraine to $9.7 billion by March 2023. Notably, the Chinese Renminbi (RMB) is gradually replacing the dominance of the U.S. dollar and the European euro in this context. Before Russia invaded Ukraine, less than 1% of its export payments were in RMB, but by the summer of 2023, the Renminbi accounted for 16% of Russia's export transactions (Prokopenko, 2023; Walker & Lang, 2023). Renminbi has supplanted the dollar as Russia's most traded currency in early 2023 (Nikoladze et al., 2023; Prokopenko, 2023). By September 2023, Russia used the Chinese currency for at least 20% of its imports (Foy, 2023).

The threat of secondary sanctions is unlikely to stop the expansion of trade and financial mutual settlement mechanisms, as well as the development of market niches. The continuing rivalry between Washington and Beijing makes China even more interested in the opening of significant market layers in Russia for export, large volume of Russian raw materials bought with discounts, and strengthening its role as one of the world's financial centers.

The growing volume of economic and trade relations further deepens cooperation between the two countries. In early 2022, Chinese Minister of Foreign Affairs, Wang Yi, referred to the harsh Western sanctions against Russia as unacceptable by saying that: "The most severe sanctions can harm both sides and further complicate the situation, intensify contradictions," as well as that these restrictions would also harm other countries not involved in the conflict. Another representative of the Ministry emphasized that China is contributing to the global economy while maintaining normal trade relations with Russia (Lisitsyna, 2022). If two decades ago, China held the third position in Russia's list of foreign trade partners, accounting for about 6% of Russia's total trade turnover, then starting in 2007, China has taken the first place in Russia's imports, and since 2017, it has risen to the top position in the list of buyers of Russian goods. In 2022, imports into Russia from China saw a 13% rise, reaching $76 billion, while Russian exports to China surged by 43% to reach $114 billion (Shkolyar, 2023). China has increased spending on Russian energy from $57 billion in 2021 to $88 billion in 2022, which allowed Russia to make up for the lost revenues in the E.U. market. Additionally, semiconductor imports from China have increased from $67 billion in 2021 to $170 billion in 2022 (Nikoladze et al., 2023).

During the initial seven months of 2023, China experienced a 36% increase in trade with Russia compared to the corresponding period in 2022, reaching a total of $134 billion. This placed Moscow just after Australia and Taiwan in terms of being among China's most significant trading partners (Ramzy &

Douglas, 2023). In 2023, Russia and China jointly implemented 79 large-scale projects with a total investment volume of approximately $170 billion. The growth of trade between Russia and China for the first half of 2023 exceeded 30% (“Reshetnikov soobshchil chto”, 2023) and overall trade between the two countries reached a record $240 billion in 2023 (Reuters, 2024). In the initial seven months of 2023, China increased its exports to Russia by 73%, contrasting with a 5% decline in its overall export figures. This underscores Russia’s emergence as one of the rare markets where Chinese exports continue to grow amidst the worldwide rise in interest rates and geopolitical tensions (Ramzy & Douglas, 2023).

China became an indispensable supplier of microchips to Russia. Nikkei conducted an investigation that revealed that, since the start of the war between Russia and Ukraine in 2022, a significant proportion of United States microchips have been shipped to Russia via Hong Kong or China (see Fig. 5.1). Despite the claims of producers that they have ceased or suspended their operations in Russia, the value of imported microchips by Russia increased tenfold in 2022, reaching a total of $570 million, compared to just $51 million in 2021 (Nikkei, 2023). Goods subject to sanctions are being funneled into the Russian market, and these include microprocessors produced by Intel and AMD, as well as FPGAs from Xilinx. Additionally, there are chips supplied by Analog Devices, Texas Instruments, and On Semiconductor, along with various products from prominent U.S. chip manufacturers like Intel, Advanced Micro Devices, and Texas Instruments, among others (Nikkei, 2023). A significant portion of these electronic components is making its way into the Russian market through smaller, less prominent distributors, traders, and shell companies (Grey et al., 2023). These entities can avoid Western sanctions targeting Russia because they do not face the same level of scrutiny as larger corporations.

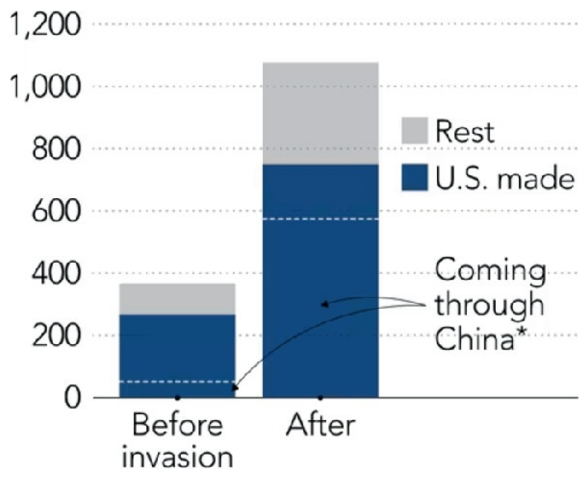

Fig. 5.1 Chip shipments to Russia before and after Ukraine Invasion (*Includes Hong Kong. *Source* Export Genius. Before invasion data covers February 24–December 31, 2021)

Russia and China also deepen political relations by making targeted efforts to ensure the strategic nature of bilateral cooperation in all areas, strengthen the material foundation of Russian-Chinese relations, and improve the well-being of the people in both countries. In March of 2023, the Chinese Embassy in Russia published the address by Xi Jinping to the Russian media, in which the Chinese leader reinstated that China and Russia are neighbors and strategic partners engaged in comprehensive cooperation and deepening political relations, which "follow a clear historical logic and are driven by robust internal factors" (Jinping, 2023). The robust channels for exchanges and high-level interactions, combined with a diverse collaborative framework, constitute significant systematic and institutional underpinnings for the growth of bilateral relations. Xi Jinping affirmed that China and Russia "continuously strengthen political trust, forging a new paradigm for relations between major powers…[and] adhere to the concept of enduring friendship and mutually beneficial cooperation" (Jinping, 2023).

During the visit of Xi Jinping to Moscow and meetings with Putin, the Kremlin (2023) published a joint statement by the two countries: "Russian-Chinese relations are mature, stable, self-sufficient, and robust. They have withstood the challenges posed by the COVID-19 pandemic and turbulent international conditions, remaining impervious to external influence. These relations demonstrate resilience and a positive energy." Thus, as the countries are consolidating their positions on the global stage, exerting influence at both the global and regional levels, the geopolitical interests of the two countries align, fostering mutually beneficial cooperation in numerous areas of international relations.

5.2 Turkey

The relationship between Russia and Turkey has been strained at times, but since the imposition of sanctions, both states have benefited from each other's actions. For Russia, the advantages have included increased energy and weapons sales, investment, and a close relationship with a NATO member attempting to isolate it. For Turkey, the advantages have been reduced energy costs, a substantial export market, revitalized Russian tourism, and, most importantly, Russian support for Turkish efforts to combat Kurdish separatist activity in Syria, in which Russia is a major supporter of President Bashar Al-Assad's regime

(Koroleva, 2023).

Turkey has become a major conduit for Russia's evasion of sanctions. In 2022, Russia became Turkey's top import partner, with a value of $58.85 billion in imports, more than double the value of imports in 2021 (UN Comtrade Database, 2023). Turkey also increased its exports to Russia, which amounted to $9.34 billion in 2022, compared to $5.8 billion in 2021. While Turkey's domestic economic problems could be the main reason why Ankara refused to join Western sanctions on Russia, the sharp increase in bilateral trade volumes in 2022 suggests that Turkey has become a major intermediary between Russia and the West and might have helped many Russian businesses and individuals to bypass the sanctions regime. Turkey's President Recep Tayyip Erdoğan publicly disclosed in early January 2023 that the total value of Turkish exports reached a historic peak in 2022, amounting to US$ 254 billion (Konarzewska, 2023). However, Turkish authorities deny that Turkey ships or facilitates the sale of sanctioned products to Russia or goods that could aid Russia in its war in Ukraine. Mevlut Cavusoglu, Turkey's foreign minister, said that the increase in trade between the two countries can only be explained by an increase in the volume and price of Turkey's energy imports (Konarzewska, 2023).

After the imposition of sanctions, Russia has had to redirect its energy exports from the E.U. market and was forced to accept the lower prices imposed by the sanctions. Turkey has taken advantage of this opportunity and is actively negotiating with Moscow to establish a natural gas hub in Turkey, thus providing a gateway for Russian hydrocarbon imports into European markets. Following the explosions that damaged the Nord Stream gas pipeline system, Russia declared Turkey to be the most suitable option for rerouting gas to the European Union. Turkey has also emerged as one of the largest importers of Russian crude oil and coal. Turkey has been negotiating with Russia to secure a significant 25% reduction in its natural gas imports. As of 2023, CREA estimates that Turkey has been the third largest consumer of Russia's fossil fuels after China and Germany, having purchased a total of USD 14.8 billion in Russian crude oil, USD 7.5 billion in natural gas, and USD 3.6 billion in coal (Konarzewska, 2023). The amount of oil products Turkey imports from Russia has increased to unprecedented heights in 2023 and is currently more than four times what it was prior to Moscow's invasion of Ukraine in February 2022 (Sampson & Kelly, 2023).

Turkey transports Russian crude oil by relying on the "ghost fleet"—hundreds of aging vessels operating outside the usual industry standards, often forgoing insurance with the P&I Clubs. The fleet is aiding Russia in adapting to the sanctions imposed by the West. Oil and gas revenues have underpinned the

Russian economy before the ruble's collapse in August 2023, leading to an emergency rate hike by the Russian Central Bank (Malsin, 2023).

Numerous Turkish companies have been providing essential items to Russian firms to manufacture military equipment or have collaborated with Russian entities that have been sanctioned by the United States (Sharp, 2023). At least thirteen Turkish companies had sold a range of products, including plastics, rubber, and vehicles, worth an estimated US$18.5 million to Russian companies that had been sanctioned by the United States for their involvement in Russia's aggression against Ukraine (Malsin, 2023). Plastic and rubber are essential components for the construction of military equipment and are therefore prohibited from being exported to Russia under United States sanctions. Furthermore, Turkish companies had sent Russia millions of dollars worth of equipment, including U.S-made electric generators, as well as circuit boards and conveyors, as well as steering wheels for trucks and other vehicles, which are also subject to United States sanctions. In 2022, Turkey began to export a substantial number of semiconductors to Russia, whereas in 2021, such exports had been minimal (Konarzewska, 2023).

Turkey is also aiding Russia in circumventing sanctions by providing various transportation services and selling the goods, which are not officially registered as an import, transported to Russia through Turkish cargo companies. Shipments to Russia are made through air, land, and rail routes (Jégo, 2022; "U.S. sanctions turkey-based," 2023).

Turkey also has become a favored destination for Russian corporations and affluent individuals to transfer their funds and assets, providing a secure haven. This includes oligarchs and politicians seeking to evade sanctions imposed by Western nations or bypass Russia's capital controls. In addition to them, young dissidents or tech professionals from Russia also choose to relocate to Turkey, fearing conscription into the army to engage in the Ukraine conflict or potential imprisonment. Turkey is actively embracing these monetary inflows and streamlining the process of fund transfers for Russians. This is particularly crucial since Western sanctions have restricted their access to widely used bank cards and excluded certain Russian banks from the SWIFT system, making money transfers challenging. Some Turkish banks are integrated into the Russian Mir payment system—a domestic payment system that was created by the Russian central bank. The Mir payment system is used by five of the largest banks in Turkey: Vakıf Bank, Ziraat Bank, İş Bank, Deniz Bank, and Halkbank (Foy et al., 2022). The influx of Russian funds is a positive development for Ankara, as it aids in stabilizing Turkey's lira by bolstering foreign currency reserves. Over the past few years, the Turkish lira has experienced significant

depreciation against the U.S. dollar, and this infusion of foreign currency helps offset the foreign trade deficit as well (Konarzewska, 2023). Russian individuals are also establishing their businesses within Turkey and directing investments into the domestic economy, with a notable focus on the real estate sector.

5.3 India

India has been one of the primary beneficiaries of sanctions on Russia, obtaining Russian crude oil at competitive prices. According to customs data, the total value of trade between India and Russia in 2022 increased by 2.6 times, reaching USD 35.3 billion. However, the Indian Rupee is not a fully convertible currency, and Russia is attempting to avoid the use of the United States dollar and other foreign currencies from “unfriendly” Western nations. India’s ambassador to Moscow, Pavan Kapoor, noted that the balance of trade between the two countries, which had been largely in favor of Russia, has become even more skewed as a result of increased Russian exports. As a result, India is looking to stimulate investment in multiple sectors and diversify its supply of goods to Russia (Fabrichnaya, 2023). Speaking after the G-20 meeting in New Delhi, Russian Foreign Minister Sergey Lavrov stated, “Very many billions of rupees, which have not yet found a use, have accumulated, and our Indian friends have assured us that they will propose promising areas where they can be invested” (Lavrov quoted in Fabrichnaya, 2023).

The current Russian political elites are also attaching greater significance to their partnership with India compared to the past when India was considered merely one among many partners in an envisioned multipolar world (Kupriyanov, 2023). Because India, for many years, has strived to be a player in a multipolar world, it shows no interest in Western calls for isolating Russia and puts main efforts to protect its own interests and remain neutral. The relationship between India and Russia has deep historical roots dating back to the Cold War, and both nations consider their ties as “special and privileged” (Rao, 2023). India heavily depends on Russia for approximately 60% of its defense equipment, and Russia has provided India with advanced weapons technologies. Apart from these technical considerations, India has additional reasons for not aligning with efforts against Moscow, including the desire to keep Russia at a certain distance from China, and is concerned that isolating Russia could push it closer to Beijing, which could affect India’s interests even though China is the biggest trading partner in goods (Rao, 2023). India continues to actively participate in BRICS as well as maintaining a solid relationship with the West, thus trying to upkeep a difficult balancing act.

5.4 Iran

Russia has learned many lessons from the experience of Iran, which has been heavily sanctioned by the West. Both countries share a common goal of diminishing the collective West's ability to shape the world. Both states are seeking to project their power in the Eurasian region and beyond. After the imposition of sanctions imposed on Russia and the latter's reorientation of its trade from the E.U. to Asia, Iran has risen as a significant player in helping Russia to withstand the blow of economic sanctions. In 2022, the Russia-Iranian trade increased by 20% and reached $4.9 billion ("Trade turnover between," 2023). In 2019, Iran and the Eurasian Economic Union (EAEU) signed an interim Free Trade Agreement (FTA), which was extended in 2022 until 2025 or until the entry into force of a new agreement on a permanent free trade regime. Additionally, the ties between Russia and Iran were cemented by signing in January 2023 an agreement between the EAEU and Iran to create a free trade deal, which is expected to come into force by the end of the year (Avdaliani, 2023).

Iran has grown into a vital partner for Russia, particularly in the context of evading sanctions related to critical electronic components. Iran plays a significant role in not only supplying drones to Russia but also serving as a technological collaborator. In fact, Iran is actively aiding Russia in establishing production lines for drones in the special economic zone (SEZ) of Alabuga, Tatarstan (Bennett & Ilyushina, 2023). The Tatarstan manufacturer attempts to conceal the Iranian origin of these drones by affixing Russian labels on them. Tehran has virtually franchised the drone technology for Moscow. The franchising includes specialized documentation, project knowledge, and even the provision of training to Central Asian workers in Iran. At least 13 components sourced from Analog Devices are included in these drones (Sonnefeld & Wyrebkowski, 2023). Although these components are not used exclusively in military unmanned aerial vehicles (UAVs) and are not included in the sensitive technologies list, they would be subject to a near-total prohibition on electronics exports from the United States.

Russia's main exports to Iran are metals, raw materials for agriculture, machinery, equipment, vehicles, chemical products, and other goods. Iran's main imports are food and agricultural products, pharmaceuticals, textiles, footwear, machinery, and other items. In May 2022, following the visit of Russian Deputy Prime Minister Alexander Novak to Iran, both countries agreed to move to a system of trade settlements in rubles and rials as soon as possible. The two

countries also discussed the possibility of operating Shetab and Mir payment cards (Kaleji, 2022). In 2023, 90% of trade between the two countries was settled in their national currencies ("National currencies drive," 2023). In 2023, Iranian and Russian media reported that they were discussing the creation of a stablecoin, a gold-backed cryptocurrency, which is often seen as a potential substitute for the U.S. dollar in international trade (Tayeb, 2023).

By mid-2022, as Russia was subject to Western sanctions, its efforts to foster closer investment links with Iran became increasingly evident. Russia became the biggest foreign investor in Iran by contributing US$2.76 billion (investing in two oil-related projects). Also, in July, the NOC and Gazprom signed a Memorandum on Energy Cooperation, which envisaged Russian investments of up to US$40 billion in Iran's oil and gas sector. However, the Iranian side has repeatedly reported that only a fraction of the investment has been made and that planned payments have been delayed (Avdaliani, 2023).

Additionally, Iran became an important partner for Russia's pivot to Asia through the International North–South Transportation Corridor (INSTC), which will help connect Russia with the rest of the world and aid Russia in moving its trade away from Europe and towards Asia. For example, in May 2023, Russia agreed to make another big investment in Iran by funding the still-unfinished 162-km rail link between the north of Iran and Russia. This will make it easier for products to travel from Russia to Iran and vice-versa. Russia invested $1.6 billion in the project, which is expected to be finished by 2027 (Avdaliani, 2023).

5.5 Cyprus

Cyprus has a long history of being a safe haven for Russian money. In 2012, Cyprus, a nation with a population of approximately one million, had accumulated bank savings totaling almost 72 billion euros. Nearly 30% of these deposits were contributed by Russian citizens (Alfonsi, 2023). However, in 2013, the situation took a downturn, as the debt crisis unfolding in neighboring Greece posed a significant risk to the Cyprus economy. To prevent the potential loss of substantial Russian capital, legislators pursued a strategy previously adopted by other nations to draw in prosperity—the implementation of a "citizenship by investment" initiative. Individuals acquiring Cyprus passports were essentially investing in a European passport, granting them unrestricted entry to 27 nations. Between 2013 and 2020, Cyprus granted close to 7,000 of these prestigious "golden passports," with nearly half being obtained by Russians (Alfonsi, 2023). Among the recipients of "golden passports" are

several Russian oligarchs, who are now subjected to Western sanctions. This includes individuals like Igor Kesaev, the owner of a Russian arms factory, and billionaire Alexander Ponomarenko, who served as the chairman of the board of Russia’s largest airport and is regarded by the U.S. government as one of Putin’s key “enablers.” Additionally, there is Oleg Deripaska, an aluminum tycoon and a part of Putin’s inner circle. The U.S. Treasury has stated that he has been under international investigation for various allegations, including money laundering, illegal wiretapping, and extortion, among other charges. The passports of the oligarchs facing sanctions are currently undergoing a “revocation process.” Cyprus has also taken action by freezing 105 million euros from Russian deposits. Although this figure is substantial, it represents only a small portion of the approximately 5.6 billion euros in Russian deposits that were made in Cyprus in 2022 (Alfonsi, 2023).

Additionally, Cyprus emerged as a hub for Russian shell companies aiming to acquire Western technology despite being subject to sanctions. An illustration of this involves the arrest in August 2023 of a Russian-German national in Cyprus, Arthur Petrov, who initially obtained regulated microelectronics from U.S.-based electronics exporters through a Cyprus-based front company called Astrafteros Technokosmos LTD (Astrafteros), which he managed. According to the U.S. Department of Justice (2023), he deceived the U.S. exporters by claiming that Astrafteros was purchasing electronics for fire security systems and other commercial purposes. He misrepresented that the intended end-users and destinations were companies in Cyprus or other third countries, while in reality, the components were intended for Electrocom in Russia, a supplier for Russian military manufacturers. The illicit microelectronics acquired by Petrov as part of the scheme included microcontrollers and integrated circuits listed on the Commerce Control List maintained by the Commerce Department. Exporting or reexporting these components to Russia without a license from the Commerce Department is against U.S. law. Invoices from the U.S. distributors explicitly indicated that these microcontrollers and integrated circuits were subject to U.S. export controls (U.S. Department of Justice, 2023).

5.6 UAE

The United Arab Emirates is among the four countries most prominently assisting Russia in bypassing wartime sanctions, others being China, Turkey, and Cyprus (Free Russia Foundation, 2023, p. 4). Since the start of the war in Ukraine, tens of thousands of Russian nationals have relocated to the UAE, particularly Dubai, making the Russian-speaking population one of the most

prominent in the country of nine million people. Due to the increasing number of Russian nationals, they have now become the third largest group of property buyers in Dubai. This influx has included members of Russia's ruling elite, such as Igor Sechin, who is a close associate of Russian President Vladimir Putin and the head of a state oil company. Western sanctions on Russian crude oil have caused Moscow's largest export market to shift to the UAE, where, according to the Wall Street Journal, the UAE purchases the oil at reduced prices and resells or refines the product into market-priced products. Between February 24, 2022, and March 3, 2023, the UAE experienced a notable surge in its acquisition of Russian gold, totaling $4 billion, a stark contrast to the $61 million recorded in 2021. Likewise, the UAE's intake of Russian oil tripled, reaching 60 million barrels during the same time frame ("UAE denies sanctions violations," 2023). Electronic parts exports from the United Arab Emirates (UAE) to Russia increased seven-fold in 2022, reaching a total of nearly $283 million, while the volume of microchip exports increased 15-fold, rising from $1.6 million in 2021 to $24.3 million in 2022 (Sonnefeld & Wyrebkowski, 2023).

5.7 Belarus

Belarus received its own share of the Western countries' sanctions, as the West see Minsk assisting Russia in the war. However, the sanctions have strengthened the ties between Belarus and Russia and allowed them to develop coping mechanisms. In the words of the Deputy Prime Minister of Belarus, Petr Parkhomchik (2022, quoted in Evrazia Expert): "Challenges posed to Belarus and Russia by unfriendly countries today have motivated and stimulated us to undertake serious efforts in addressing import substitution issues." As anticipated, Belarus also received increased support and exports to Russia, enhanced domestic production, especially of agricultural machinery, implemented financial stimuli, and turned to Asia for trade relations.

As a result of the government's measures, exports of goods and services in the first quarter of 2023 reached a record level for the past ten years, maintaining a positive trade balance. Russia and Belarus agreed to establish joint production of "MAZ" and "KAMAZ," which will provide a boost to Russia's automotive industry suffering from sanctions. While sanction pressure persists on all types of transportation, the government has promptly conducted work to redirect from Baltic and Ukrainian ports to Russian ports. Deliveries to Russia increased by nearly 60% (by $2.2 billion) (Belarus Council of Ministers, 2023). Belarus is also making efforts to replace the niches that were occupied by the foreign companies that chose to leave Russia.

5.8 Georgia

Since the start of the war in Ukraine, Georgia has refrained from joining in the anti-Russian sanctions and has not openly expressed its disapproval of Moscow's actions. In response, Russia has restored direct flights to Georgia and lifted visa requirements imposed in the 2000s (Light, 2023). Georgian officials have been praised by Russian officials for their constructive attitude, which has been seen as a sign of a sovereign country. Trade between the two countries has seen a surge in 2022 (see Fig. 5.2), with Georgia's exports to Russia increasing by 6.8% to $652 million and imports from Russia increasing by 79% to $1.8 billion, the highest level in sixteen years (T.I.- Georgia, 2023). This is in stark contrast to the strained relations between the two countries, which have been strained since the beginning of the 1990s, particularly after Russia's invasion of Georgia in 2008. Russia has since maintained control over 20% of Georgia's territory, including military bases in its breakaway regions.

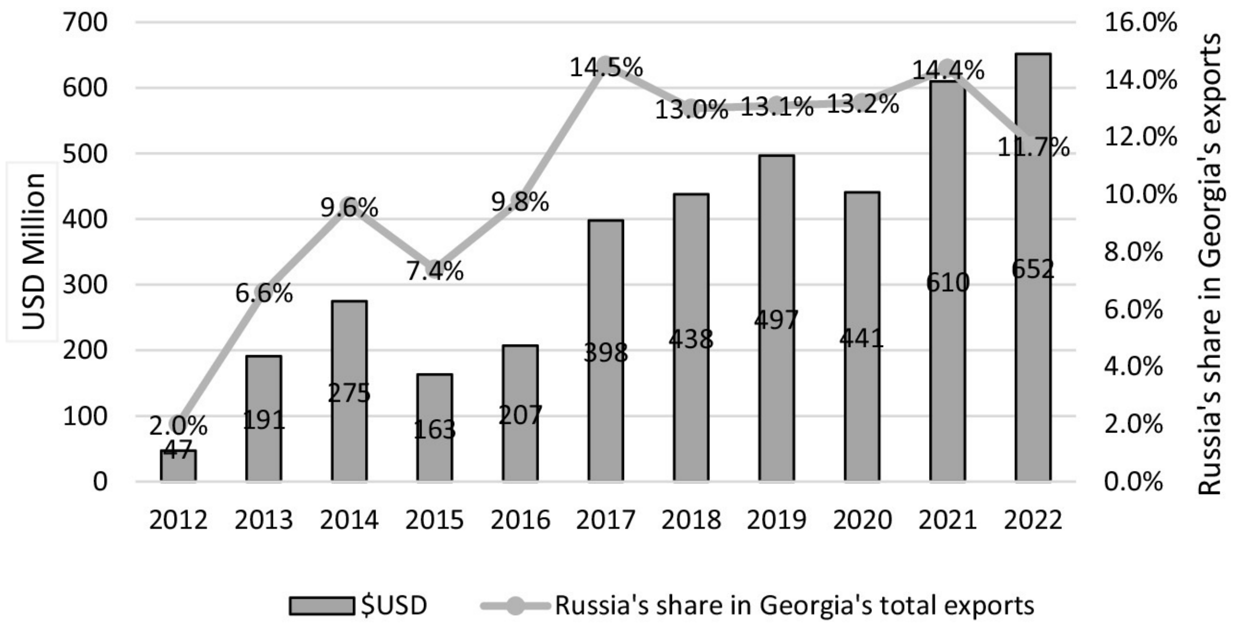

Fig. 5.2 Russia's share in Georgia's export (*Source* Transparency International Georgia)

Transparency International reported an almost 16 times increase in the number of Russian companies registering offices in Georgia compared to 2021. In one year, since the start of war in Ukraine till February 2023, about 15,000 Russian companies registered in Georgia (T.I.-Georgia, 2023).

5.9 Kazakhstan

Kazakhstan's government declared neutrality on the Russia-Ukraine war, but trade with Russia illustrates the opposite. Kazakhstan has emerged as a significant source of technology export to Russia, as well as a means of circumventing Western sanctions. In the past year, Kazakhstan's imports from the European Union increased by 89%, reaching €10.4 billion. This increase included a significant number of purchases of technology and machinery, valued at around €4 billion. About €2.6 billion worth of goods disappeared, turning into "ghost items"—products officially bought from the E.U. by Kazakhstan but never made it to Central Asia consumers (Lindeman & Dale, 2023).

Almost half of Russia's "parallel export" is routed through Kazakhstan, with the remainder distributed to Georgia, Armenia, and Kyrgyzstan. Polyamides, a dual-use product, have also been exported to Russia, thus circumventing the sanctions regime. Polyamides are used in the production of body armor, military pilots' vests, and various other military and civilian products. Before June 2022, Germany did not export much polyamide to Kazakhstan; however, following the introduction of the sanctions, the demand for polyamides in Kazakhstan increased significantly, reaching 200 tons by October (Lindeman & Dale, 2023).

In 2022, Kazakhstan's exports to Russia experienced a 25% increase, reaching €8 billion. Of this amount, almost one billion euros were allocated to technology and machinery goods, although Kazakhstan is not a major exporter of these products. According to Kazakhstan's Vice-Minister of Foreign Affairs Serik Zhumatayarin, the goods exported to Russia included at least 104 products that were subject to sanctions, including a large number of dual-use items (see Table 5.1). Additionally, Kazakhstan sold 3.3 million semiconductor parts to Russia in 2022, whereas the volume of this trade was only 11,000 euros in 2021 (Romandash, 2023).

Table 5.1 Kazakhstan: trade flows of dual-use goods, 2021–2022

		Imports: global		Imports: EU		Exports: RU	
Customs code	**Description**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
8471	Computers and related parts	$168M	$1.2B	$114M	$310M	$127K	$296M
854231	Processors and controllers	$26.2M	$52.7M	$5.6M	$13M	$30K	$11.9M
854239	Electronic integrated circuits	$5M	$14M	$408K	$4.4M	$31K	$3.7M
853669	Plugs and sockets for a voltage not exceeding 1,000 volts	$24M	$21M	$1.3M	$9.2M	$500K	$3.8M

854232	Storage devices, computer memory	$3M	$7M	$350K	$900K	$200K	$2.3M
9014	Direction finding compasses; other navigational instruments and appliances	$400K	$5.5M	$1.6M	$4.1M	$100	$700K

Source RFE/RL, Qazstat, UN Comtrade Database, Eurostat

5.10 Kyrgyzstan

Kyrgyzstan has seen significant growth in import–export businesses that engage in trade with Russia. These companies have become intermediaries for Western and Asian products that Russia cannot legally acquire through other means. They are capitalizing on the rising demand for sanctioned Chinese and European goods, including items such as drones, aircraft parts, and rifle scopes (see Table 5.2). According to United Nations trade data, Kyrgyzstan neither imported nor exported a single component for aircraft, helicopters, or drones in 2021. However, in 2022, the Kyrgyz companies imported $3.5 million worth of such components, mainly from the United States, and exported $1.5 million worth to Russia (Schreck et al., 2023). Overall, in 2022, the total volume of Kyrgyzstan's exports to Russia experienced a remarkable surge, increasing by 250% compared to the previous year (Warrick, 2023). According to a senior US official, Kyrgyzstan, despite its relatively small size compared to other countries, exemplifies a situation where all the factors necessary for facilitating the evasion of sanctions are present simultaneously, creating an environment that is deemed unacceptable in terms of sanctions enforcement (Warrick, 2023).

Table 5.2 Kyrgyzstan: trade flows of dual-use goods, 2021–2022

		Imports: global		**Imports: EU**		**Exports: RU**	
Customs code	**Description**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**
880730	Aircraft, helicopter, and UAV parts	$0	$3.55M	$0	$612K	$0	$1.56M
853224	Fixed electrical capacitors, ceramic dielectric, multilayer excluding power capacitors	$1.53K	$2.69M	$0	$225K	$0	$161
853221	Fixed electrical capacitors, tantalum excluding power capacitors	$2.28K	$67.77K	$0	$49.6K	$0	$380
854239	Electronic integrated circuits	$58.78K	$1.68M	$32 K	$1.2M	$5.86K	$38.61K
854231	Electronic integrated circuits as processors and controllers	$373.95K	$2.1M	$22 K	$431K	$0	$84.51K

851761	Base stations of apparatus for the transmission or reception of voice, images, or other data	$2.3M	$7.7M	$9.3 K	$123K	$0	$78K

Note Global import data for 853221 is from 2019
Source RFE/RL, Kyrgyz National Statistics Committee, UN Comtrade Database, Eurostat

Following criticism from the United States regarding its involvement in assisting Russia during the conflict, Kyrgyzstan's President, Japarov, responded to US lawmakers by emphasizing that Russia did not depend on Kyrgyzstan as an intermediary for Chinese trade. He pointed out that China and Russia shared an extensive land border, allowing Russia to import goods directly by rail or barge. While acknowledging Kyrgyzstan's role in attempting to supply Chinese drones to a Russian company, Japarov maintained that these exports were intended for civilian use. Nevertheless, he suggested his readiness to comply with the US's request for stricter oversight of exports to Russia. In his communication to the US Congress, Japarov noted that Kyrgyzstan was "now prohibiting the export of drones and unmanned aerial vehicles" and affirmed its commitment to a neutral stance in the Russia-Ukraine conflict (Burke, 2023).

5.11 Armenia

As part of the Eurasian Economic Union (EAEU) led by Moscow, Armenia, together with Russia, Kazakhstan, Belarus, and Kyrgyz Republic, form a single market that aims to remove customs barriers and increase trade. This makes it tricky to control the flow of potentially dangerous goods, but it also puts these states in the spotlight as the EU looks to tighten up on Russia when it comes out with its 11th round of sanctions (Gavin, 2023). After the imposition of Western sanctions, Armenian exports to Russia have skyrocketed, with customs data from 2022 to 2023 showing a 463% increase and worth over €328 million as of June 2023. Armenian car exports to Russia increased significantly, going from $800,000 worth of vehicles in January 2022 to slightly over $ 180 million in the same month in 2023 (Ivanova & Cook, 2023). This unusual increase in trade led to the US accusing Armenia of being a place where people can illegally ship restricted goods to Russia or Belarus, and several companies have been targeted by US sanctions as a result (Gavin, 2023).

The data for the first six months of 2023 shows that the trade turnover

between the two countries continues to increase. Russia and Armenia saw an additional boost in trade between the two countries in the first half of 2023, with 86% more trade than in 2022 and a record-breaking 3.3 billion dollars in exports. This is on top of the record-breaking $5 billion in mutual trade in 2022 (“Armenia’s exports,” 2023). Armenia, as a member of the Eurasian Economic Union, has a free trade agreement with the EAEU, which includes Russia. This agreement allows for the easier movement of goods, including trucks, between member states. Armenia, being geographically close to Russia and a member of the EAEU, has played a role in facilitating the import of Western-made trucks into Russia.

The use of medium-sized trucks in a war zone is essential for the transportation of goods to the frontlines, and as a result, these vehicles were placed on a sanctions list. Consequently, Germany’s export of diesel trucks of this weight class to Russia decreased to zero by the end of May 2022. On the other hand, these same trucks were sold at a significantly higher rate to Armenia, reaching levels five times higher than those Germany had previously exported to Russia by September (Lindeman & Dale, 2023). Western-made trucks are often imported into Armenia and then transported to Russia due to trade agreements and geographic proximity. This enables Russia to acquire Western-made trucks through a more accessible route, utilizing Armenia as a conduit for these imports.

5.12 Lithuania

While Lithuania’s official position is to toughen sanctions’ implementation and punish third parties (Gavin & Aarup, 2023), Lithuanian businesses have been sending restricted goods to Russia by utilizing an alternate path, which involves Belarus. Even though Lithuania has provided support to the Belarusian opposition and has been critical of President Alexander Lukashenko’s government in Minsk, it seems that they significantly boosted their vehicle exports to Belarus between May and September of 2022, multiplying the volume by ten times. Considering that their exports to Russia had completely ceased, and it’s unlikely that Belarus suddenly had such a massive surge in demand for cars, it appears that these goods are ultimately finding their way into Russia (Lindeman & Dale, 2023).

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6. Assessing Sanctions Effectiveness

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Abstract
In this chapter, Borozna and Kochtcheeva examine the effectiveness of the sanctions imposed on Russia. The assessment of the effectiveness of sanctions on Russia is based on three key parameters: impact on the Russian economy, achievement of stated political goals, and countermeasures and remedies used by Russia to withstand the impact of sanctions. The sanctions that were imposed on Russia in 2022 onward had a significantly broader scope than the sanctions imposed after 2014. However, they failed to achieve their primary political objective, which was to change Russia's foreign policy direction. These sanctions did not deter Moscow's commitment to continue its involvement in the conflict, and it appears unlikely that they will change this determination in the foreseeable future. The economic impact of the sanctions imposed after 2022 is multifaceted. Although the Russian economy did not collapse, there are indications that specific sectors, including aviation, automotive, and information technology, within Russia have experienced substantial declines. However, the support and cooperation of countries friendly to Russia played a critical role in Russia's ability to withstand the impact of these sanctions.

Keywords Sanctions – Russia – Russian economy – Sanctions (in)-effectiveness – Russian economy – Foreign trade – Trade partners – Import substitutions – Energy industry – Oil – Gas – Defense industry – Banking –

Finance – Aviation – Automotive sector – IT – Retail – Travel – Political course – Elites – Support for regime – Countermeasures – Political goals – Remedies

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Assessing sanctions effectiveness is complicated by the lack of common yardsticks for success. The report produced by the U.S. Government Accountability Office (GAO) in 2019 demonstrates the vagueness of the operational definition of sanctions success (U.S. Government Accountability Office, 2019). The report shows that the effectiveness of sanctions success by the office responsible for initiating the sanctions in the United States is measured in terms of economic impact on the target, with some reference to achieving broader U.S. policy goals. Among the academic studies on sanctions effectiveness, there are two main groups. The first group of scholars focuses on the effect of sanctions on trade, investment, and GDP growth in the target and sanctioning countries (Hufbauer & Oegg, 2003; Kohl & Reesink, 2019). The second group focuses on analyzing if sanctions worked in reaching their stated goals, such as forcing the targeted states to comply with the demands of the sanctioning country (Hufbauer & Oegg, 2003). Additionally, the ability of the targeted state to implement countermeasures undermines the effectiveness of sanctions.

The effectiveness of sanctions can only be judged against a set of well-defined goals. However, the United States and its allies have never outlined such specific goals during the process of initiating sanctions on Russia (Demarais, 2023). The objectives of sanctions were very vague and broad, such as "to punish Russia," "to make Russia a pariah," "make him [Putin] pay," and "cause a collapse of the Russian economy" (White House, 2022; Smith, 2022; Wertheim, 2022). Due to a lack of a concrete benchmark that would clearly determine the effectiveness of sanctions, there are a plethora of opinions about their success. Some analysts assert that sanctions had a tangible effect on the Russian economy: "By cutting off Russia from foreign technology and investment and slashing the Kremlin's energy revenues, Western sanctions have fundamentally altered Russia's national trajectory. They are destroying the economic model Putin relies on to pursue his imperialist foreign policy" (Fishman, 2023). Other observers argue that sanctions didn't work—they didn't change Russia's resolve to continue the war (Afontsev, 2022). Still, other analysts argue that we cannot judge sanctions based on observed Russian behavior; rather, we should analyze the several actions that Russia may have taken if sanctions had not been implemented (see Siegel, 2022).

In this chapter, the evaluation of the effectiveness of sanctions on Russia will

be based on three parameters: (1) impact on the Russian economy, (2) achievement of stated political goals, and (3) countermeasures and remedies.

6.1 Impact on Russian Economy

In February 2023, U.S. Deputy Secretary of the Treasury Wally Adeyemo declared that “Today, Russia can’t produce enough arms to meet their basic needs.” According to Adeyemo, the Russian economy in 2023 was “nothing like the Russian economy you saw before the invasion” (Hussein, 2023). However, the destructive costs of economic sanctions, international isolation, and punishment anticipated in the West were exaggerated, at least in the short term. Moscow was able to avoid the collapse of the economy: “Sanctions like a knockout didn’t work” (Lukyanov, 2023), and “the Russian economy has weathered the shock much better than expected” (Mulder, 2023). The “Fortress Russia” strategy was aimed at creating an economy in Russia that could withstand sanctions, although very few economists believed it would be successful (Northam, 2022).

Many sources predicted that the decline in the Russian economy due to sanctions would be measured in double digits (Blinov, 2022). For example, the April 2022 forecast of the Central Bank of Russia allowed for a fall in GDP by 8–10% in 2022 and by 12–16% in the fourth quarter of the year. However, then the forecasts began to soften and looked not so catastrophic. In September, the R.F. Ministry of Economic Development released a new forecast: −2.9%. Despite the sanctions, by the end of 2022, in terms of purchasing power parity (PPP), Russia's GDP stood at $5.51 trillion, positioning the country as the fifth-largest economy globally and the largest in Europe (See Table 6.1) (World Bank, 2023).

Table 6.1 List of 20 largest economies in terms of GDP (PPP), as of 2022

Ranking	Country	(millions of international dollars)
1	China	30,327,320
2	USA	25,462,700
3	India	11,874,583
4	Japan	5,702,287
5	Russia	5,326,855
6	Germany	5,309,606
7	Indonesia	4,036,901

8	Brazil	3,837,261
9	France	3,769,924
10	UK	3,656,809
11	Turky	3,180,984
12	Italy	3,052,609
13	Mexico	2,742,903
14	Korea, Rep	2,585,011
15	Canada	2,273,489
16	Spain	2,181,968
17	Saudi Arabia	2,150,487
18	Egypt, Arab Rep	1,674,951
19	Australia	1,626,940
20	Poland	1,625,236

Source World Development Indicators database, World Bank, 1 July 2023

By the beginning of 2023, the IMF stated the actual decline in Russia's GDP for 2022 is 2.2%, which is less than in the period of 2020. For 2023, the IMF made several revisions to its forecasts, suggesting initially Russia's economic growth by 0.3% (IMF, 2023a). By July 2023, IMF (2023b) calculations indicated that Russia's GDP will experience 1.5% growth in 2023. But the IMF report released in January 2024 showed Russia's GDP growth at 3%, surpassing economic growth of all Western nations (IMF, 2024). Figure 6.1 demonstrates the dynamics of Russia's GDP growth over the last two decades.

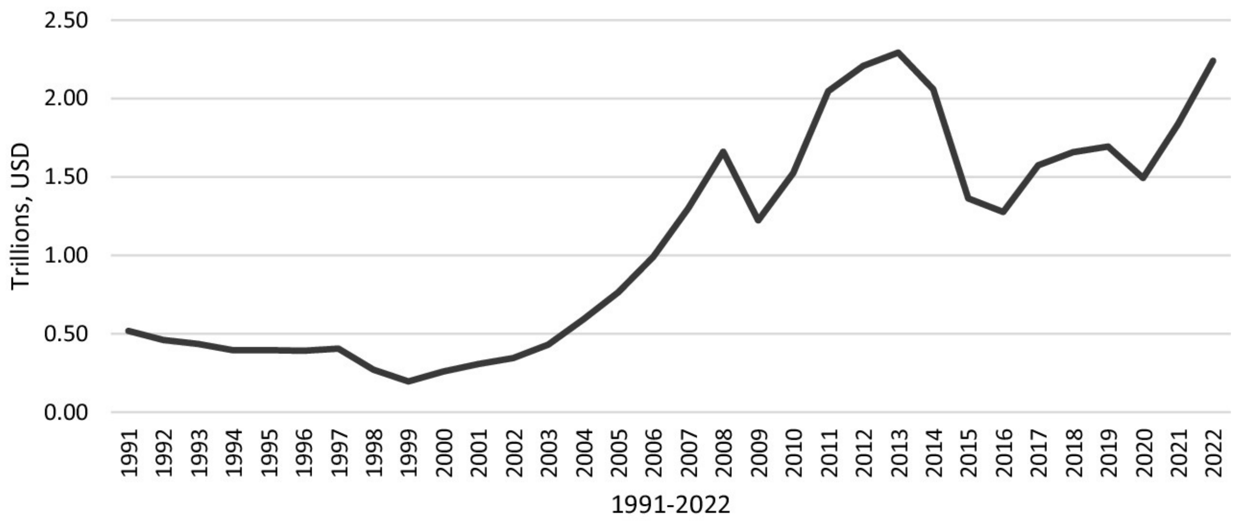

Fig. 6.1 Russia's GDP, 1991–2022
(*Source* World Bank [2022])

The Bank of Russia report also showed that the current account surplus reached a record high of $227 billion in 2022, compared to $122 billion in 2021 (See Fig. 6.2). While imports collapsed in March-June by over one-third, they bounced back, registering $22.9 billion in December—a return to pre-invasion numbers. Overall, the value of goods and services exports rose 14% year-on-year ($78 billion) while imports decreased by 9% year-on-year ($34 billion) (Bank of Russia, 2022, p. 2). The general decrease in manufacturing output has been relatively modest as well. During January–February 2023, manufacturing saw only a 1.7% year-on-year decline. Several sectors that supply products for the war effort, such as metallurgy, textiles, and medical goods, have experienced significant production growth. Russia possesses abundant resources and the capacity to sustain the production of relatively straightforward manufactured items, even with stringent trade limitations (Korhonen, 2023). Sanctions have also given Russia a reason to implement "a strict policy of trade protection, industrial policy, and capital controls" that would not have been possible otherwise (Galbraith, 2023, p. 3).

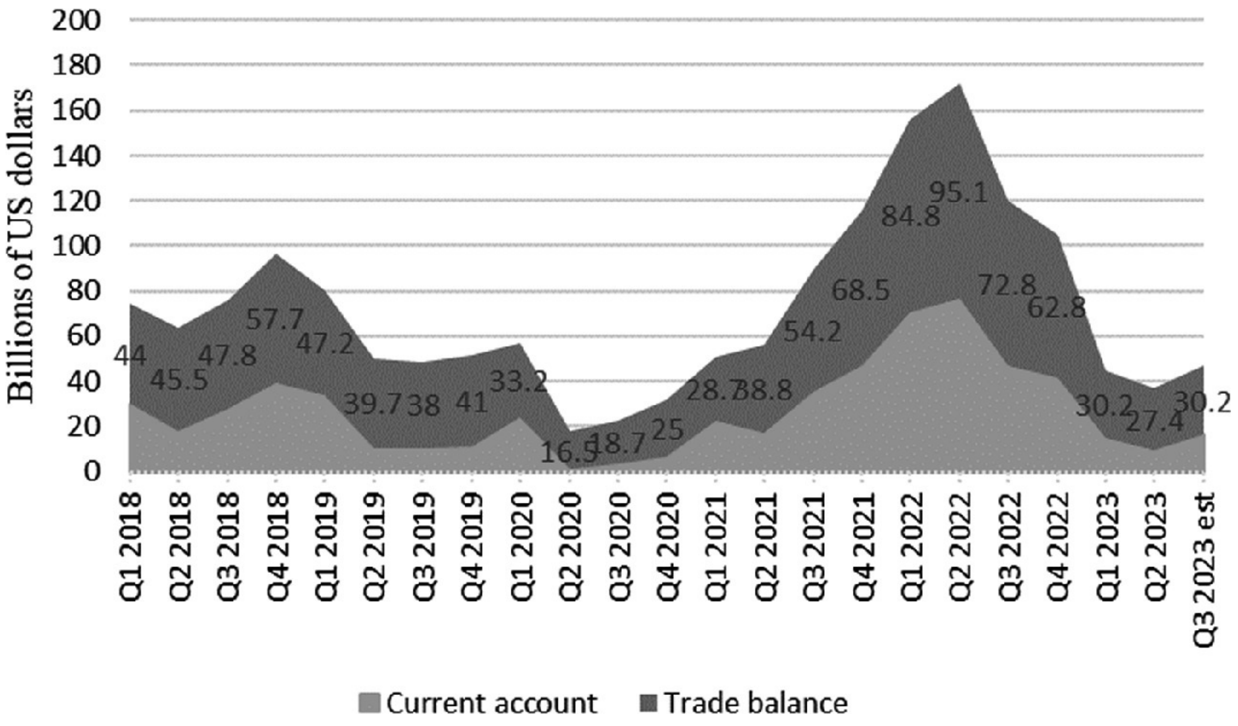

Fig. 6.2 Russia's current account and trade balance, 2018–2023, Billions of US dollars
(*Source* Russia's Ministry of Finance)

The imposition of restrictions on companies and individuals, conducting business with Russia, has been accompanied by a departure of private companies from Russia. Shell, BP, Bosch, Apple, GE, McDonald’s, Mastercard, and Visa, among others, have exited, suspended, or scaled back operations in Russia. Some companies announced moral reasons for their withdrawal; however, other actors may follow the “over-compliance” principle with sanctions, as some companies reason that the cost of handling legal risks associated with sanctions outweighs the advantages of conducting business with Russia (Chachko & Heath, 2022).

Research by Arapova and Balakhonova (2023) shows that in the face of sanctions, companies take steps to protect themselves from the possibility of unintentional violations, which leads them to over-implement the sanctions, subject their counterparties to rigorous due diligence checks, distance themselves from them as much as possible, and restrict their operations beyond what the regulatory authorities require. Companies also employ this strategy to mitigate the risk of restrictive measures that may be imposed quickly by regulatory authorities if geopolitical tensions escalate. The study of the behavior of foreign companies by Sonnenfeld et al. (2022) demonstrates that Russia has experienced a significant loss of companies, which represent around 40% of the country’s GDP, reversing almost all of the foreign investment from the past three decades and contributing to a massive exodus of capital and people, which has significantly weakened the country’s economic foundation (See Fig. 6.3). Sonnenfeld and Tien (2023) even declared on the exodus of companies that “the world economy no longer needs Russia.”

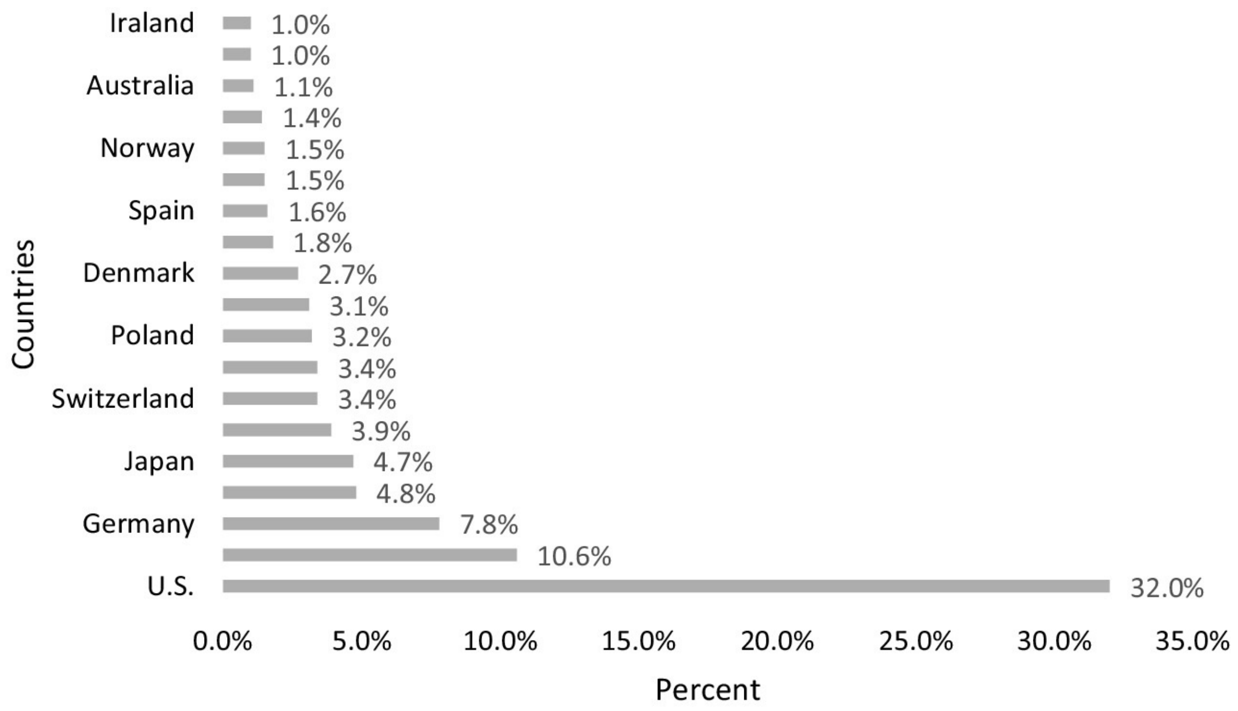

Fig. 6.3 Companies leaving Russia by country, percent of total
(*Source* Yale Chief Executive Leadership Institute, As of July 2023; *Note* The Figure includes only companies that are 1% or above of total)

In terms of the cost for the target and the sender, Swiss bank UBS' Global Wealth Report 2023 demonstrated that Russians became more prosperous during the time of sanctions in 2022–2023, while the US and Europe lost trillions of dollars in private wealth (Tan, 2023). According to a UBS report, Russia's total wealth grew by $600 billion in 2022, adding 56,000 new Russian millionaires (Glover, 2023). From February 2022 till August 2023, the European Union launched 11 rounds of sanctions against Russia to pressure the Kremlin into ending the war. The US also has imposed sweeping sanctions against Russia. However, despite the depth and extent of the sanctions, Russia's economy proved to be resilient and even booming as the Kremlin has boosted the production of military equipment, raised salaries, pensions, and other benefits for people who are not well-off, among other subsidies (Tan, 2023).

Sanctions affected various sectors of the Russian economy unevenly. The Russian information technology (IT) sector, business services, and financial sectors were more exposed than anticipated. Conversely, the natural resources (power and mining) sector was relatively stable, as the likelihood of substituting companies from countries that are hostile to Russia for those from partner countries is substantially higher.

6.1.1 Foreign Trade

Russia's foreign trade in 2022 increased by 8.1% year-on-year and reached $850.5 billion (Larina, 2023). The dynamics of Russia's exports and imports showed varying outcomes in 2022. According to the data released in early March of 2023 by the Russian Federal Customs Service, Russia's commodity exports set a record in the country's history by rising 19.9% and reaching $591.5 billion, and the trade surplus in goods also turned out to be a record at $332.4 billion (Romanova, 2023). The main factors for export growth in 2022 were goods that were not subject to sanctions or came under restrictions at the end of 2022, like crude oil (Tkachev et al., 2023). Russia's exports increased by 14% in monetary terms, making up 2.1% of global exports and ranking 15th on the list. In 2022, due to sanctions, imports decreased by 23% and dropped to the 31st position in the global ranking, reaching a level comparable to 2016 (Shkolyar, 2023). Restrictive measures primarily harmed the absolute volumes of imports, while exports in monetary terms increased even more compared to the previous year's figures.

Russia's nickel exports increased 2.9 times to $5.79 billion in 2022. European Union countries imported nickel and products made from it from Russia, amounting to €3.2 billion, compared to €2.1 billion the previous year. In comparison, the United States imported $342 million worth, compared to $159 million in 2021 (Tkachev et al., 2023). Food products and fertilizers also avoided Western trade sanctions. According to the Federal Customs Service, the export of food products and agricultural raw materials from Russia increased by almost 15% in 2022, reaching $41.3 billion (See Fig. 6.4). Fertilizer shipments grew by 54% to $19.3 billion. Notwithstanding the sanctions, Russia's export of mineral fuels increased by 43% in the previous year, reaching $383.7 billion, or 65% of the total exports (See Fig. 6.5) (Romanova, 2023).

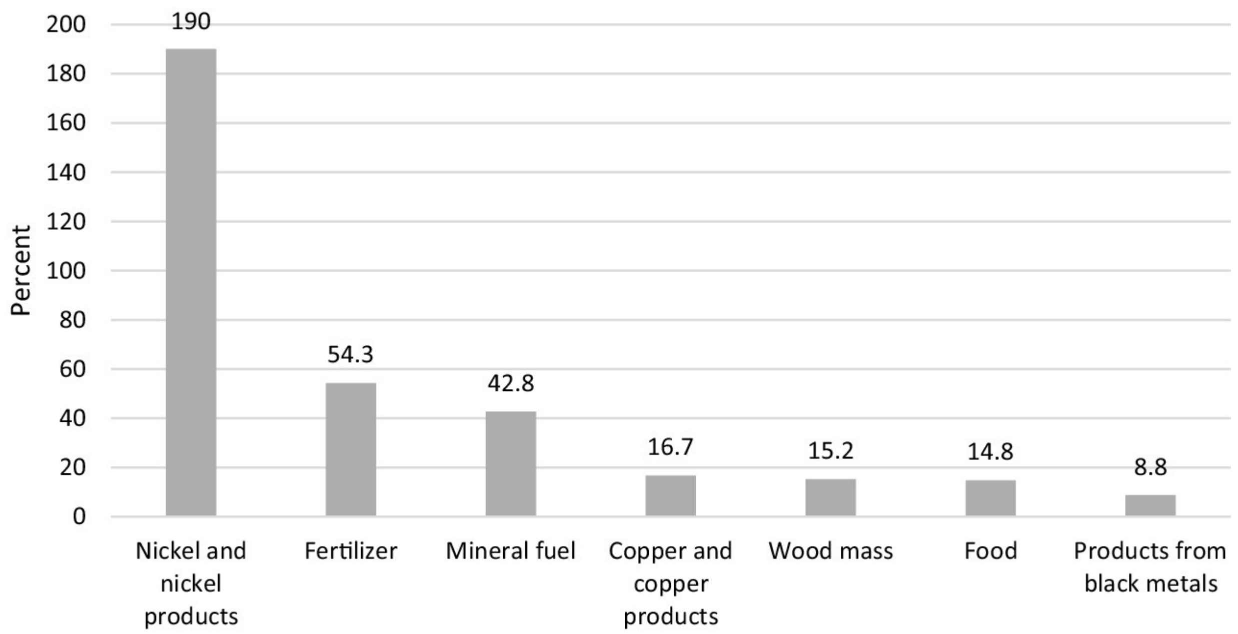

Fig. 6.4 Russian products that show largest export growth, compared to 2021, % (*Source* RF Federal Customs Service and RBC)

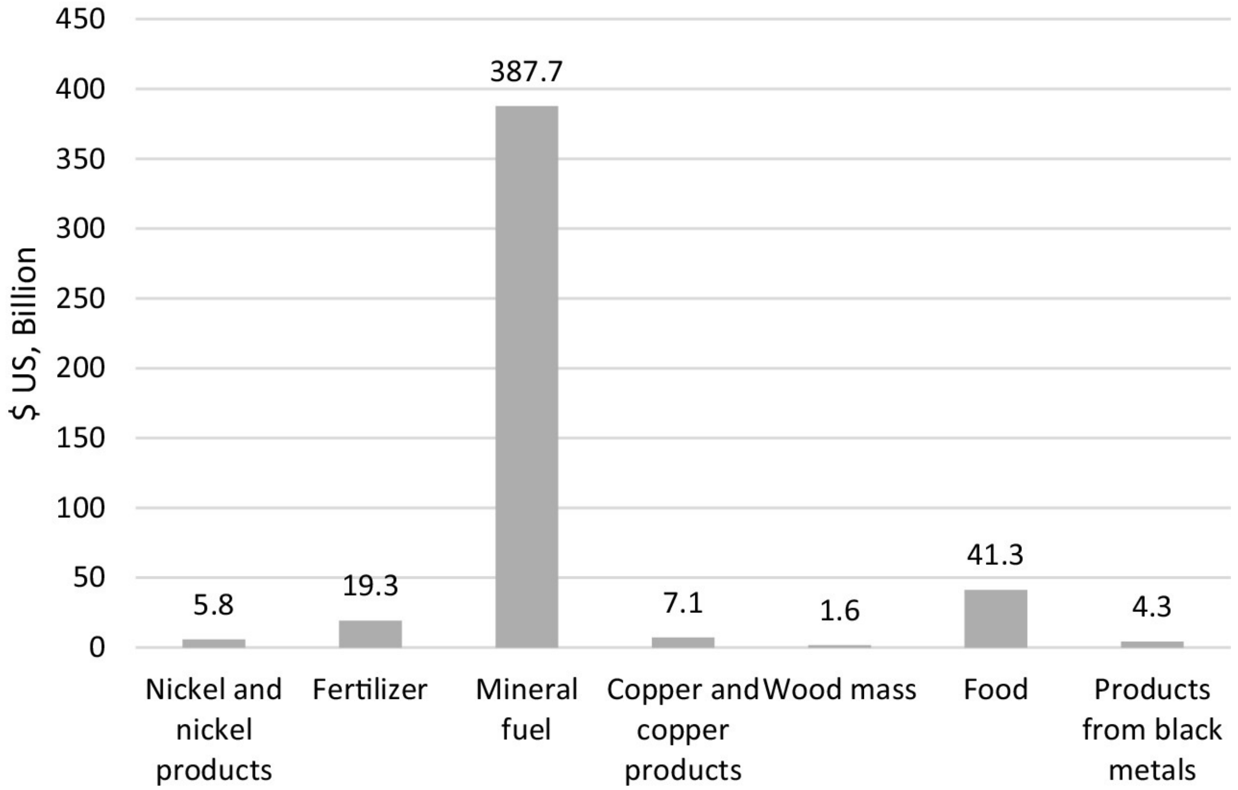

Fig. 6.5 Russian products that show largest export growth in 2022, USD billions (*Source* RF Federal Customs Service and RBC)

The fluctuation in oil and gas prices, Russia's primary export commodities,

significantly influences the trade balance results. While in 2022, Russia experienced record oil and gas revenues, in 2023, export revenues were decreasing as trading conditions for Russia worsen because oil prices were falling. Western sanctions, gradually introduced in the previous year, are starting to take effect (Shkolyar, 2023). Russian exports to the markets of “unfriendly” countries demonstrate a relatively synchronous decrease throughout the year. In terms of individual countries during the end of 2022, the leader in reduction was the United Kingdom, which has practically ceased imports of goods from Russia (−98%), followed by the United States (−72%), with a smaller decrease seen in South Korea (−46%), the European Union (−41%), and Japan (−40%) (Knobel & Firanchuk, 2023).

The import of goods into Russia in 2022 decreased by 11.7% to $259 billion, while exports increased by almost 20%, reaching $592 billion. Thus, the overall trade account balance reached $332 billion (1.7 times higher than in 2021) (See Fig. 6.6). The import of nuclear reactors, boilers, machinery, and mechanical devices decreased by 13.1% to $47.3 billion (more than 18% of total imports), electrical machinery and equipment decreased by 19.1% to $29.8 billion, and ground transportation, excluding railways and trams, decreased by 41.5% to $15.7 billion (Romanova, 2023). There is a notable decline in Russian imports from the European Union across all categories and directions, which could be attributed not only to sanctions but also to the withdrawal of European companies from the Russian market. Russia’s imports from the US also drastically fell by 73% to $1.7 billion (Shkolyar, 2023).

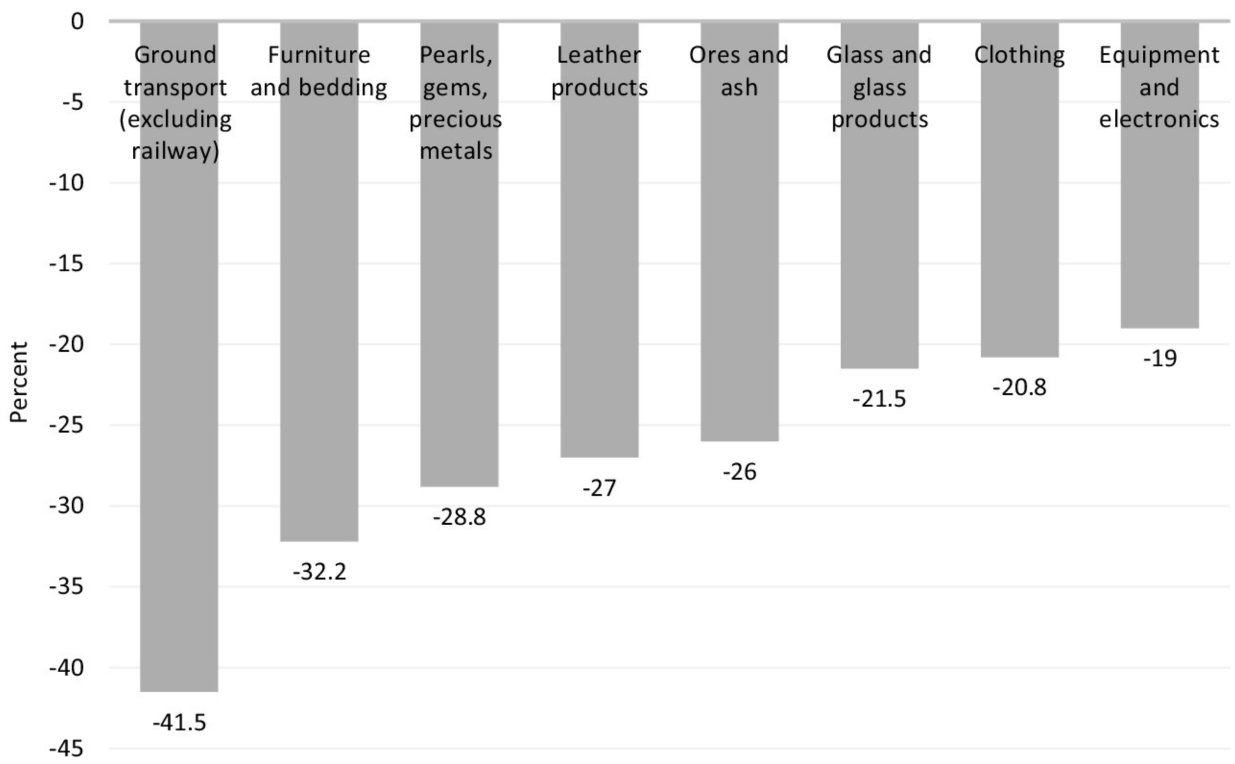

Fig. 6.6 Imported products that show the largest decline in 2022, compared to 2021, %
(*Source* RF Federal Customs Service and RBC)

Sanctions resulted in significant shifts among Russia's leading foreign trade partners in 2022, with China, Turkey, and Belarus becoming main trading partners. Trade with China increased by 28% compared to the previous year, with Turkey by 84% and Belarus by 10%. However, the trade decreased 23% with Germany and 0.1% with the Netherlands (Romanova, 2023). Moreover, in response to the reduction in Russia's trade with the United States and the European Union, China's share exceeded 50% in 30 product groups of Russian imports. The trade between Russia and China in 2022 increased by $50 billion, surpassing $190 billion. Russia redirected 9% of its exports from European markets to China and increased its purchases of goods previously supplied by Western suppliers by an additional 17%. China's share in Russian exports reached 22.8%, while in imports, it reached 41.7% (Prokopenko, 2023; Shkolyar, 2023). The trade between Russia and China reached a new record of $240 billion in 2023 (Reuters, 2024).

The decrease in the share of the Netherlands, which previously served as a hub for Russian re-export operations, was largely offset by the growth in trade with Turkey. In just one year, Turkey's share of Russian exports increased by 6.3%, and the export of goods from Turkey to Russia grew by 62% compared to

the previous year. By the end of 2022, the trade between Russia and the CIS countries increased by 6.8% compared to the same period in 2021 and reached 72.6 billion dollars (Shkolyar, 2023).

Trade with Latin America also experienced a 12.5% decline in 2022 due to the sanctions, especially the fear by some Latin American countries of the secondary sanctions and worsening logistics. The share of this region in Russia's exports was 2.3%, while in imports, it was 2.4%. The countries in the region were divided into those who increased their trade with Russia and those who reduced it. It is worth mentioning that trade with Brazil increased by 38% in terms of exports and 24% in terms of imports, and trade with Paraguay saw an even more significant increase, with exports rising by 335% and imports by 133% (Shkolyar, 2023).

The impact of sanctions on Russia's industries is uneven. While energy, aviation, transportation, and retail industries are among the most affected, some industries either did not suffer from sanctions or performed better than before the sanctions regime. For example, Russia's diamond trader, Alrosa, has sustained consistent sales despite the U.S. sanctions, which the European Union has not reciprocated. As a result, some G7 countries have proposed more stringent sanctions on the Russian diamond trade (Acharya, 2023).

6.1.2 Energy Industry

Sanctions achieved one main economic goal pursued by the United States—the share of Russian pipeline gas in European imports fell from 40–45 percent to 7–8% (Grozovski, 2023). However, despite the decline in the volume of exported gas, Russian government revenues from oil and gas were at their peak (in January–October 2022); they were 34% higher than in 2021, leading to a record net profit of 2.5 trillion rubles for Gazprom in the first half of 2022, which is equivalent of the revenue for two preceding years (Grozovski, 2023).

Implementing the price ceiling on Russian gas has achieved its goal of weakening the Russian economy—Russia's oil revenues have decreased by approximately fifty percent in September 2023 compared to the same period of the previous year (Malsin, 2023). However, due to Russia's increased use of a "ghost fleet" of unregistered vessels, the net result is that, despite the lower prices, Russia has been able to increase its presence in some of the largest oil markets in the world, thus altering the pattern of global energy supply.

The primary strategy in the energy industry was redirecting the flow of Russian oil and gas to the East. The R.F. Government has been pursuing and strengthening cooperation with Russia's allies and seeking new partners. According to Alexander Novak (2023), the Deputy Chairman of the Russian

Federation Government, in 2023, a significant shift occurred in Russia's energy exports. He mentioned that in May 2022, the volume of oil shipments from Russia to Asian countries exceeded, for the first time, the quantities directed to Europe. By the end of 2022, there was a substantial increase in oil exports to friendly nations, with a growth of 76% year-on-year. Oil product exports also saw a 20% year-on-year increase, and both pipeline gas and liquefied natural gas (LNG) exports grew by 8% year-on-year. In total, nearly 40 million tons of oil and oil products were redirected from Western markets to Eastern markets over the previous year (Novak, 2023). Significant efforts of the Russian government are directed towards further developing the energy infrastructure in the Asia–Pacific region, increasing the "friendly" fleet, and establishing financial infrastructure, including payment and insurance systems. At the beginning of 2023, the Russian government also changed the principle of calculating oil taxes, gradually reducing the allowable discount for Urals relative to the price of the global benchmark Brent (Smirnov, 2023).

On December 5, 2022, G7 member states and the E.U. established a price ceiling on the sale of Russian oil and petroleum products, which took effect on February 5, 2023. Russia's flagship brand of crude oil—Urals—started selling at significant discounts to the international benchmark. Nevertheless, the Russian economy has withstood the blow to the oil and gas industry better than Western analysts had predicted (Smith, 2023). The sanctions have affected but not stopped Russian sales of oil and gas. Oil production remained at approximately 10 million barrels daily in early 2023 (Trading Economics, 2023). By the end of 2022, many Western countries had significantly diminished or fully terminated imports of Russian oil, gas, and coal (Smirnov, 2023). As a result, Russia's fiscal revenues from oil operations plunged 48% y-o-y in January to $4.2 billion, while export revenues dropped 36% to $13 billion (IEA, 2023a, 2023b, 2023c, 2023d).

A drop in energy revenues combined with military expenditures produced a $25 billion budget deficit in Russia in January 2023 (Fishman, 2023). However, the G7 price cap on Russian oil is not fully enforced. Russian oil exports to China through Pacific Ocean ports do not comply with the G7 price cap, with an average price after embargo averaging $82 per barrel, and 50% of the oil shipped via *Sovcomflot* and shadow fleet are not sanctionable (Babina et al., 2023, p. 2). Lack of transparency in the shipping market allows evasion of the price cap and creates an opportunity to channel a part of oil revenues to shadow accounts.

According to the July 2023 report by the International Energy Agency (IEA, 2023a, 2023b, 2023c, 2023d), for the first half of 2023, Russia's oil exports have decreased by more than one and a half times compared to the first half of 2022, from $120.4 billion to $77.4 billion (Shaban, 2023). However, domestic

production in the country may remain at the same level since there is a seasonal increase in domestic demand (Smirnov, 2023). In August of 2023, the IEA reported that in July, Russian oil exports remained at about 7.3 million barrels a day, with China and India being the primary buyers of crude oil and accounting for 80% of Russian shipments. The Agency estimates that due to increasing oil prices and narrowing discounts for Russian grades, Russia's export revenues were up by $2.5 billion to $15.3 billion, yet $4.1 billion below July 2022. Similarly, according to the R.F. Ministry of Finance, oil and gas revenues for January to June 2023 decreased by 47%, mainly due to a high comparison base from the previous year, a decrease in Urals crude oil price quotes, a decrease in prices, and a reduction in the volume of natural gas exports. The Ministry added that the monthly dynamics of oil and gas revenues are gradually stabilizing and returning to a "steady trajectory" corresponding to their baseline level.

Even though sanctions on the Russian energy sector have decreased profits for Russia, it has also made energy trade more costly for Europe. Russia is finding ways to work around the oil price cap, which decreases the sanctions' effectiveness. Moreover, in late September 2023, Treasury Secretary Janet Yellen noted that "recent market prices for Russian oil suggest that the Group of Seven's price cap is no longer working as hoped" (Condon & Flatley, 2023).

Russia has signed a tender agreement to sell a significant portion of its oil production to a consortium of previously unknown oil traders, securing a steady flow of funds from its vital energy sector. Rosneft Oil, a subsidiary of the Russian state-controlled oil company Rosneft, has concluded in the summer of 2023 one of its most extensive procurement contracts in recent years. The contracts are valid for up to twelve months and relate to crude oil and refined products. The outcome confirms the role of a group of emerging trading houses as intermediaries for Russian oil to access new markets. These firms emerged as significant players in the aftermath of Russia's invasion of Ukraine, taking the place of the world's leading commodities merchants, such as Trafigura, Vitol, and Glencore, who have all pulled out of Russia. Bellatrix Energy, incorporated in Hong Kong, emerged as the largest winner of the tender. Trading group Amur and Tejarinaft, with registered offices in the UAE, were also the major beneficiaries of the tender, taking in large volumes of Russian oil. Since the implementation of sanctions on Russian oil in December, all three trading houses have been actively exporting crude and refined products, according to Russia's customs data and industry sources (Hirtenstein et al., 2023).

6.1.3 Defense Industry

Despite the severity of economic sanctions levied by Western nations on Russia,

the country managed to increase the production of certain military equipment by more than tenfold to provide its army in Ukraine with a significant boost in the supply of missiles, drones, combat vehicles, and artillery ("Russia ramps up," 2023). President Vladimir Putin issued directives to escalate production to guarantee the realization of Moscow's objectives in Ukraine (Trevelyan & Cordell, 2022). To circumvent the Western sanctions and export controls on sensitive technologies that can be used in the defense industry, Russia has employed various subversive tactics by utilizing its intelligence services and the Ministry of Defense to operate covert networks. In less than a year since the commencement of the conflict, Russia has managed to reestablish trade in crucial components by channeling them through nations like Armenia and Turkey. Efforts by U.S. and European regulators to collaborate to restrict the export of these components to Russia have faced challenges, as they have struggled to effectively prevent the flow of these goods passing through countries with connections to Moscow. Russia has demonstrated a swift and adaptive response in securing the necessary supplies and components for its defense production needs. Presently, Russian authorities have shifted their economic focus toward defense manufacturing. Thanks to revenues generated from high energy prices, Russia's security services and Ministry of Defense have clandestinely acquired microelectronics and other Western materials essential for producing cruise missiles and precision-guided weaponry (Barnes et al., 2023). As a result, the military production sector has not only rebounded but has experienced significant growth (Luzin & Prokopenko, 2023; Rosstat, 2023).

Although Moscow has successfully acquired processors and circuit boards, American officials have highlighted that Russia is encountering a shortage of rocket propellant and basic explosives, which will likely limit Moscow's ability to ramp up the production of ammunition, missiles, or bombs. The intensified military production in Russia has resulted in significant repercussions for the economy, especially as interest rates have surged. Russia has redirected almost a third of its commercial economy toward arms production (Barnes et al., 2023). Despite these obstacles, Russia's production volumes for various types of weaponry have experienced remarkable growth, ranging from two to tenfold increases.

In some specific categories of military hardware, the output has seen extraordinary increase, surging "by multiple tens of times," according to Bekhan Ozdoev, the head of the armaments division within Rostec, the state-owned Russian corporation overseeing a substantial portion of the weapons industry ("Russia ramps up," 2023). This notable surge in production has been observed in the manufacturing of tanks, armored vehicles, rocket launchers, artillery

pieces, the Iskander short-range ballistic missile system, the Pantsir medium-range surface-to-air missile system, and the hypersonic Kinzhal missile. Rostec, subject to Western sanctions, is under the leadership of Sergei Chemezov, a close associate of President Putin. It exercises control over 800 Russian entities involved in both civilian and defense sectors, solidifying its position as Russia's largest arms producer ("Russia ramps up," 2023). The U.S. Treasury identifies Rostec as "the cornerstone of Russia's defense, industrial, technology, and manufacturing sectors" (U.S. Treasury, 2022, June 28).

6.1.4 Banking and Finance

The sanctions had an immediate impact on the Russian financial markets, causing suspension of financial sanctions, including the suspension of Central and commercial bank accounts and assets, as well as limitations on capital market access and payment options. By March 2022, the imposition of sanctions triggered significant market uncertainty, resulting in a depreciation of the ruble's value. This depreciation was accompanied by a surge in inflation within Russia, and the dollar's value increased by 60% against the ruble. In order to stabilize the exchange rate and mitigate inflation, Russian financial authorities took measures, including restricting current and capital transactions and abstaining from converting the ruble (Aleksashenko, 2023).

According to Rosstat (2023), the average annual inflation in Russia in 2022 was 13.75%, with the main peaks occurring in February and March. In February, the increase in prices was 9.15% on an annual basis, but in March, it sharply accelerated to 16.69% (Boyko, 2023). The official forecast of Russia's Ministry of Economic Development assumed inflation of 12.4% by the end of the year. However, in December, the Economic Minister, Reshetnikov, noted that it could be even lower, in the range of 12.0–12.4%. Reshetnikov attributed the lower-than-expected price increase to the effort at stabilizing prices in the agricultural sector, an excellent harvest, the development of new distribution avenues, the strong ruble, combined with a rapid recovery of imports bypassing sanctions and logistic issues (Migunov, 2023). Such dynamics were facilitated by measures taken by the Bank of Russia, especially the timely raising of the key interest rate up to 20% and lowering it in response to panic, as well as the strengthening of the ruble exchange rate, which led to a decrease in import prices, especially for non-food products such as household appliances and cars. Overall, the price dynamics at the end of the year turned out to be better than most experts had predicted in the first half of the year (Boyko, 2023). The average inflation for 2023, was recorded at 7.4% (Garver, 2024).

In 2023, however, sanctions were not the only factor in the change in the

ruble exchange rate. Russia has been in gradual ruble depreciation since the end of December last year, but there has been no overall inflation acceleration. Until June 2023, inflation averaged around 4%, taking into account seasonal and calendar factors (Migunov, 2023). By August, inflation increased to 4.3%, and the prices, especially of imported food and non-food products, started rising. The Director of the Institute of Economic Forecasting at the Russian Academy of Sciences, Alexander Shirov, noted that the weakening exchange rate of the ruble is influencing price growth (Vinogradova & Galcheva, 2023). Sanctions, however, are just one of the factors influencing this dynamic. Other factors include energy prices, the policies of the Bank of Russia, and the general macroeconomic situation, which put pressure on the currency in the long term.

The ruble has depreciated significantly since the beginning of the year, currently trading at a value of ₽90 per dollar and ₽100 per euro. This depreciation is largely attributed to macroeconomic fundamentals, with significantly lower foreign currency inflows due to decreased exports. This weaker ruble increases the risk of inflationary pressures as the cost of imported goods increases. Russia’s collection of oil and gas revenues remained low in the first six months of 2023 (a decline of 47% compared to the first half of 2022). However, other revenues have increased, and the authorities have been able to reduce spending (Kyiv School of Economics 2023, July 17). The Bank of Russia (2023) forecasts inflation for the year to be 5–6.5%. Against rising prices, the regulator has already begun tightening monetary policy by raising the key interest rate in July from 7.5% to 8.5% (The Bank of Russia, 2023).

It has always been important for Russian banks to understand sanctions risks to avoid problems with foreign correspondent banks. Currently, even medium-sized businesses have to take into account new risks. Exporters and importers have to calculate in advance with which jurisdictions, partners, and currency it is better to conduct business, how to maintain relationships with foreign banks and avoid the risks of blocked payments, and how to minimize the risk of losses during foreign trade operations. Russian business has been adapting to restrictions since 2014 and somewhat mastered methods of countering sanctions by proactively changing the structure of ownership in the companies, reducing the share of owners at risk below the threshold of 50%, bringing corporate chains into Russian jurisdiction, and reducing direct international presence (Gerasimov et al., 2023). The swirl of 2022 sanctions meant the departure from Russia of foreign compliance solutions providers, which large Russian banks and firms have used in past years for risk assessment. While the departure of foreign compliance consultants turned out to be painful because their systems were often integrated into the information systems of Russian banks and companies,

Russian suppliers were able to replace foreigners quickly. For instance, the use of the popular Russian analog of international systems, the *X-Compliance*, has increased tremendously (Gerasimov et al., 2023).

Additionally, since 2014, Russia has been actively exploring alternatives to the euro and the dollar. Given its status as the world's second-largest gold producer, boosting the country's gold reserves has emerged as an effective strategy for mitigating the consequences of sanctions and addressing related risks. In 2022, Russia significantly increased its gold reserves, nearly tripling their size. Additionally, gold transfers from Russia to China are estimated to have risen by 67%, with a 30% reduction in price, during the same year (Ibadoghlu, 2023).

Capital flight remains a persistent challenge in Russia's financial sector that authorities have struggled to manage effectively. From the beginning of its full-scale invasion of Ukraine in 2022 until June 2023, a record-breaking $253 billion has been withdrawn from Russia (Center for macroeconomic analysis and forecasting, 2023). The rate of capital flight relative to GDP reached 13% in 2022, surpassing the previous record of 11% observed during both the 2008 global financial crisis and after Russia's 2014 annexation of Crimea from Ukraine ("Russia loses record," 2023). Over the preceding 13 years, the average rate of capital outflow stood at 5% ("Ottok Kapitala is," 2023).

6.1.5 Aviation and Automotive Sector

Among the many sectors targeted by the sanctions, the aviation sector is one of the most affected by the allied export measures. After the invasion, the major American and French aircraft manufacturers, Boeing and Airbus, stopped providing Russia with new foreign aircraft and spare parts ("Sanctioned Russian Aviation," 2023). Russian airlines, including Aeroflot, were compelled to dismantle aircraft to salvage spare parts. In 2021, approximately half of the components and technologies used in Russia's aircraft industry were sourced from foreign countries. Moreover, 95% of Russia's air passengers were previously transported on planes manufactured abroad. The inability to access imported parts may result in a reduction in the size of the aircraft fleet as older planes are retired from service. Russia has also been compelled to seek alternative suppliers for critical components (U.S. Department of the Treasury, 2023).

Sanctions have harmed Russia's capacity to maintain its existing aircraft and to expand and mass-produce its advanced combat vehicles, such as the Sukhoi Su-57, which rely on imported machinery and engines. In the summer of 2022, it was reported that Russia had begun to remove spare parts from passenger

aircraft, which has caused several mechanical issues in the domestic civil aircraft industry, which is already in a state of disarray due to the presence of some overlap between components used for military aircraft and civilian aircraft (Martuscelli, 2022). Furthermore, the Federal Aviation Administration (Rosaviatsia) has recently approved the practice of aircraft cannibalization, which involves the reinstitution of spare parts from aircraft that have been grounded from their original airframe (Field, 2023). Furthermore, the implementation of sanctions is likely to impede Russia's ability to produce Next-Generation (NG) combat vehicles, which will harm the military image of the Russian Air Force, as well as Moscow's ability to attract customers for domestically produced combat aircraft (Aronova, 2023; Bergmann et al., 2023; "Sanctions-Hit Russia," 2023).

The Russian aviation industry experienced several incidents at the beginning of 2023. Concerns were previously expressed by experts and professionals regarding flight safety in 2022, a year marked by over 130 incidents, including 28 airplane crashes ("Sanctioned Russian aviation," 2023). After the imposition of sanctions, nine aviation firms suspended their flight operations due to safety concerns due to the shortage of spare parts. However, within a year and a half following the initiation of sanctions (from May 2022 to August 2023), Russian air carriers procured components exceeding a value of $1.2 billion to maintain their predominantly Western aircraft fleet. Their operations have almost fully recovered to pre-war levels, except for seventy-five aircraft repossessed by lessors (Derber, 2023). Overall, nine airlines halted flights in Russia in 2022, with Rosaviatsiya suspending their main document—the operator certificate–for four of them ("Minus devyat' za bortom," 2023).

Another most impacted by the Western sanctions sector of the Russian economy is the automotive sector. Some of the most well-known foreign car and parts manufacturers have announced partial or complete cessation of their activities in Russia, which led to a significant increase in prices for foreign-made cars already in the country, as well as disruptions in new deliveries or their complete cancellation. It has also led to higher costs for car maintenance and the search for alternative ways to obtain spare parts. The automotive sector employs at least four million Russians, and the situation has affected the labor market in the automotive industry, as the departure of foreign companies and the closure of their facilities have resulted in a significant number of employees in the automotive industry becoming unemployed. The income level of those who have retained their jobs has also significantly decreased (Belov & Karpova, 2022; Dzhuraev et al., 2022). Production in the automotive sector slumped by nearly 70% in 2022, partly due to the effect of export controls and financial sanctions,

which cut off Russia’s access to critical technology products needed in automotive manufacturing (Fishman, 2023; Milov, 2023).

Foreign car manufacturers, except Chinese and Iranian ones, have left Russia. A good example is the situation with the French Renault, which has been receiving preferential treatment from the Russian authorities, making the same profits as in France, and whose cars have been highly liked by many in Russia. Renault left Russia among the very first exiting companies leaving behind their factories and hardware, but taking with them all the software and technological know-how. Renault abandoned numerous Renault owners without warranty and service support, disrupting parts supplies to Russia and shifting all the problems onto the shoulders of Avto VAZ. Volkswagen, Mercedes-Benz, and Skoda behaved similarly by closing production, suspending service, and stopping parts supplies. Toyota halted production and, till the end of 2022, has been announcing that it was to be searching for ways to address serious disruptions in logistics chains and finally closed facilities in Russia and is considering relocating them to Kazakhstan (Rozkin, 2023; Belov & Karpova, 2022).

To mitigate the sanctions in automobile sector, in May of 2022, a number of parallel imports took effect, which included, among others, Chevrolet, Nissan, and Land Rover. If by the end of 2022, the share of cars imported through parallel imports barely exceeded 5% of the sales of all new cars in Russia, it is estimated that in 2023, this number is at 20% (Morzharetto, 2023). Many companies are trying to undermine the restrictions imposed on their business, evading them, at least partially. For instance, although BMW and Mazda closed their production, it has retained warranty service and spare parts supply. The activities of the Korean brands Kia, Hyundai, and Genesis are surrounded by uncertainty. Production seems to have stopped, but the factories in St. Petersburg and Kaliningrad continue to operate, and service has not been interrupted (Rozkin, 2023; Belov & Karpova, 2022).

The 11th package of sanctions by the EU makes the situation even more concerning for the Russian automotive industry by banning exports to Russia of certain categories of vehicles and specific types of spare parts, as well as affecting the rights to use intellectual property, including by third countries friendly to Russia (European Commission, 2023). As the difficulties in the auto market are growing and the number of offerings from foreign manufacturers continues to decrease, there is an increasing demand for Chinese and domestic cars, whose market share in August 2022 rose to 25.9%. The vacant market niche is being filled by import substitution. However, a growing concern is to what extent domestic and Chinese automobiles can meet the growing needs of Russian citizens. The production of passenger cars by AvtoVAZ in July of 2022

amounted to 19.4 thousand units, which is 80.6% less than in the same month in 2021 but 44.5% more than in June of 2022 (Belov & Karpova, 2022). In the first five months of 2023, 155,000 passenger cars were produced in Russia, which is 42% lower than the figure for last year. However, in May, 42,000 cars were produced, which is 11 times more than the previous year. This result is attributed to the low base of the previous year when an all-time low in the history of the Russian automotive industry was recorded, caused by the shutdown of the vast majority of car factories due to a shortage of components resulting from disruptions in the logistics chains (Autostat, 2023). In general, the restructuring of the Russian automotive market will continue in 2023 with government support. The state is trying to support domestic manufacturers while also saturating the market with affordable models (Morzharetto, 2023). An important question is how well the offered models will align with the purchasing power, needs, and wishes of Russians.

6.1.6 Information Technology (IT) Sector

Russia's access to advanced information technologies has been restricted by the sanctions and export controls imposed by the United States, the European Union, and their allies (Treasury Targets, 2022). Additionally, the sanctions target a number of Russia's major producers and research centers, effectively halting the nation's development and preventing it from working with the global scientific community on emerging technology (Epifanova, 2023). Russia's IT industry was one of the contributors to the country's GDP growth between 2015 and 2021, helping it to reach 3.7 trillion rubles ($47.8 billion) in 2021, even though it only represented 3.2 percent of the GDP overall (Borak, 2023).

Following the imposition of sanctions, imports of many crucial goods for Russia's information technology industry quickly decreased, including deliveries by all of the major Western IT companies and other international businesses. While client computer processors and other component parts are still widely accessible on the Russian market, locating server hardware has gotten much more challenging (TAdviser, 2023). In the period 2017–2022, Russia purchased an average of US$163 million worth of Advanced Chips and Integrated Circuits from the European Union, the United States, Japan, and the United Kingdom. However, this number decreased to approximately US$60 million in 2022. This decrease was largely attributed to shipments of these high-tech components from Eastern Europe, Central Asia, Turkey, the United Arab Emirates, and a few other economies. The same patterns can be observed across a wide range of product categories. However, they are particularly pronounced when it comes to Advanced Chip and Integrated Circuit products that can be used in military

operations (Nardelli, 2023). Some analysts doubt that the Russian government's parallel import program, which permits Russian retailers to import goods from overseas without the consent of trademark owners, would be able to address the nation's mounting computer power shortage (Urusov, 2023).

In the long run, Russian manufacturers might be faced with a serious challenge. There are only two processor companies in Russia that produce chips for both client devices and servers. The first is MCST, which utilizes its own Elbrus processor architecture as well as the international SPARC architecture developed by Sun Microsystems in the 1980s. The second Russian company is Baikal Electronics, which manufactures processors based on the ARM architecture. Baikal-M series is specifically designed for client devices, while the Baikal-S series is intended for servers. The imposition of Western sanctions has significantly impacted these Russian processor manufacturers, as both MCST and Baikal Electronics heavily relied on Taiwan Semiconductor Manufacturing Company (TSMC) and its factory located in Hsinchu, Taiwan, where they produced the majority of their chips using 28-nanometer technology (Urusov, 2023). Even though some enterprises from the Soviet era still exist, such as Mikron Group, their capabilities are restricted. To put it briefly, Russia currently lacks the production capacity necessary to produce high-performance, modern desktop processors that can rival AMD and Intel's server processors. Only microcontrollers, specialized processors for the military and industry, and a few other items can be produced by Russian semiconductor factories (Epifanova, 2023). The fact that chips were produced using machinery manufactured in other countries is one of the key issues. The sanctions imposed by the West have targeted this weakness.

Numerous international IT companies have declared that they will no longer be doing business with Russia after openly denouncing Russia's aggression against Ukraine. However, it's unclear exactly how many businesses have given up on conducting business in Russia. As of October 2023, only 13 out of 196 foreign IT companies have completely left Russia, meaning they have sold at least a portion of their business to a local partner and left the market, according to "Leave Russia," a project associated with the Kyiv School of Economics ("Leave-Russia," 2023). This represents only about 7% of all foreign IT companies. Of these businesses, 55% have stopped doing business in Russia or have curtailed operations there. Fifteen percent of businesses are still operating but have scaled back new projects or put investments on hold, while another 22% have carried on as usual. However, the biggest threat to the IT industry in Russia is not sanctions but rather a significant exodus of IT personnel from Russia in order to evade military mobilization after the start of the war in

Ukraine. According to Russian government statistics, about 100,000 IT professionals, or about 10% of the country's tech workforce, left in 2022 (Chebakova et al., 2022).

6.1.7 Retail

The impact of sanctions was also observed in the annual contraction of retail sales by 10% in September 2022 compared to 2021 and annualized inflation averaging 13.7% (Milov, 2022). The decline in retail trade in Russia in 2022 was the most significant since 2015. According to Rosstat data (2023), retail decreased by 10.5% in December 2022 compared to December 2021. For the entire year of 2022, the decline was 6.7%. Russian consumers cut back on unnecessary expenses and focus on building up savings for the future. The economic indicators at the beginning of 2023 show an effect of the 2022 sanctions. January retail sales were down 6.6% year on year ("Table-Russia retail," 2023). Retail turnover experienced a continuous decrease over 12 consecutive months until March 2023, at which point it began to recover in April ("Russian retail trade," 2023).

Retail trade in Russia during the summer of 2023 has exceeded levels not seen since the Western nations' major expansion of Ukraine-related sanctions in early 2022. Consumption of goods by the population in the summer of 2023 has surpassed the pre-crisis levels of 2021. In July 2023, the turnover of retail trade reached 4 trillion rubles ($41.6 billion), marking a 10.5% increase compared to July 2022 and a 1.2% rise compared to July 2021, when adjusted for inflation ("Russian retail trade," 2023).

The September 2023 Rosstat data shows that retail and wholesale trade indicators are growing at an accelerated pace. The recovery of the trade sector was not hindered by sanctions or the departure of foreign companies from the market. In the second quarter of this year, Russia's GDP increased by 4.9%, the growth rate of the trade sector was 11%, with retail trade increasing by 9% and wholesale trade increasing by 12.5% (Rosstat, 2023). The prerequisites for their recovery were an increase in consumer activity, a result of Russians moving away from a savings-oriented behavior model, and an increase in their incomes ("Torgovlya v Rossii," 2023). The retail trade for the first seven months of 2023 amounted to 25.7 trillion rubles. However, in July, the growth rate was already 10.5%, indicating an acceleration in the recovery of the industry (See Fig. 6.7). As for the structure of retail trade, 47% is attributed to food products, including beverages and tobacco products, while non-food items account for the remaining 53% (Torgovlya v Rossii, 2023). Another important trend in retail trade is the rapid development of online sales. In July 2023, online sales in annual terms

increased by 1.5 times. As a result, their share accounted for 10.2% of the total retail trade ("Torgolya v Rossii," 2023).

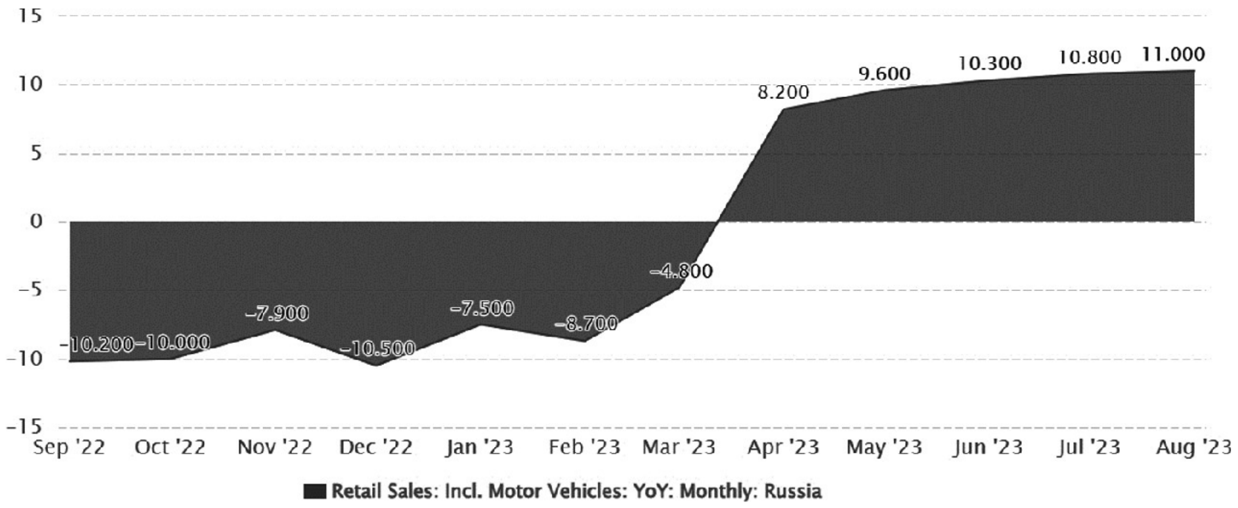

Fig. 6.7 Russia's Retail Sales Growth, September 2022–August 2023 (*Source* Rosstat and CEIC Data. www.ceicdata.com)

6.1.8 Travel

In 2022, traveling abroad has turned into a real challenge for Russians due to numerous sanctions, which caused closed airspace, high prices for plane tickets, numerous canceled flights, difficulties with cash withdrawals, blocked bank cards, and many other problems that those who want to vacation abroad had to deal with. Europe was the first to announce the closure of airspace for Russian planes with the United States and Canada following suit. In response, Rosaviatsia (the Federal Air Transport Agency of Russia) (2022) closed the skies to airlines from 36 countries. In accordance with Rostourism's recommendation from March 2022, Russians are advised to refrain from traveling to the countries that have imposed sanctions against Russia (Pashkova, 2022). Additionally, foreign lessors started recalling Russian airliners, and foreign insurance companies began terminating contracts prematurely. To avoid losing their aircraft completely, several major carriers, including Aeroflot, Pobeda, S7, and Smartavia, had to cancel all international flights.

The restrictions on Russian bank cards abroad and the prohibition on carrying more than $10,000 in cash out of Russia complicated travel even further, especially in the early spring of 2022. The list of available destinations for Russians has been reduced to a minimum, and tourists abroad were having many challenges paying for the services or getting back home. The most favorable destinations became those where Russian payment system "Mir" cards

were accepted, such as Armenia, Tajikistan, Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, South Ossetia, and Abkhazia, as well as Vietnam and Turkey. Or the very expensive all-inclusive packages to Turkey, Egypt, Tunisia, and the Maldives could be purchased. According to experts from the Association of Tour Operators of Russia (ATOR), the restrictions will hit Russians who are used to traveling independently the hardest. In the words of Arthur Muradyan, the head of the tour operator Space Travel, people who can afford to travel are now traveling abroad primarily not for leisure but to "wait out uncertain times for a month or two" or even to emigrate. He added: "People will have nothing to travel for. No way to fly. And no means. Cards don't work, and the sale of foreign currency is prohibited" (ATOR, 2022). A similar problem has been reported in the federal network of travel agencies "1001 Tour," where, according to their calculations, due to the new restrictions, sales of tours abroad have decreased by 70 percent ("Iz-za Sanktsiy Rossiyanam," 2022).

Nevertheless, travel never stopped for the Russians, even in 2022 and especially in 2023. Russian tourists made about 22.5 million trips abroad compared to 19.2 million in 2021 (Koroleva, 2023). Turkey, Thailand, the UAE, the Maldives, and Egypt saw the largest numbers of tourists. For some countries, stimulating Russian tourism has become a way to balance their economic ties with Russia. Other countries are easing travel for Russians as well, including Sri Lanka, Morocco, India, Myanmar, and Oman.

The year of 2022 also saw the stimulation of domestic tourism and the service sector, as well as the growth of investments in the construction sector. According to Rosstat (2023), construction had a growth of 5% in 2022. There was also an increase of 4.3% in the hotel activity and catering establishments and an increase of 0.6% in the activity of information and communication services. On September 8, 2023, the E.U. decided to outdo its own sanctions regarding the travel for Russians. In a statement accompanying its guidelines, the European Commission indicated that Russians were temporarily prohibited from traveling to E.U. countries in personal cars and bringing certain personal belongings, including smartphones and cosmetics (Jones, 2023a, 2023b). Within a few days of the announcement, the entry for vehicles with Russian license plates has been closed by all five E.U. countries that share borders with the Russian territory, except for transit cases to the Kaliningrad Oblast. Countries in Southern Europe, Bulgaria, and Greece, which are part of the E.U., and Norway, which is not an E.U. member, have not yet implemented such restrictions and have not clarified their interpretation of E.U. sanctions. For the time being, Russians can still travel through Georgia and Turkey or from Georgia to Bulgaria by ferry without the risk of vehicle and personal belongings

confiscation (Laakstygal & Romanov, 2023).

6.2 Achievement of Stated Political Goals

Sanctions represent an economic method employed to achieve a political objective, and their assessment should primarily consider the political outcomes rather than the economic consequences (Siegel, 2022). The combined Western sanctions against Russia can be viewed as the pinnacle of the history of sanctions policy. However, sanctions on Russia proved to be ineffective in terms of achieving their main political goal. They have not changed the Russian political course, have not affected Moscow’s determination to continue the war in Ukraine, and are unlikely to change it in the foreseeable future. While the G7 countries have shown unity in their backing of sanctions and in providing military aid to Ukraine, most G20 nations, which are generally more reflective of global opinion, have not supported the sanctions, thus subverting the efforts to isolate Russia.

Considering that one of the political-military goals of sanctions is to “undermine Russian military-industrial capacities and to ‘defund the war’” (Galbraith, 2023, p. 2), they remain ineffective. The economic sanctions imposed by Western nations did not significantly weaken Russia’s economic capacity to the point where the Kremlin would be unable to fund its military actions in Ukraine (Aleksashenko, 2023). Thus, according to U.S. officials, the sanctions forced Russia to slow down its missile and other weapons production for at least half a year at the beginning of the war, in February 2022, by the end of 2022. However, Moscow’s military-industrial manufacturing started to revive. The Russian intelligence services and the Ministry of Defense operated sophisticated networks to circumvent U.S. export controls by shipping key components from the United States to other countries where they could be easily shipped to Russia (Barnes et al., 2023).

Sanctions against Russia did not persuade the Kremlin to change its political course and did not result in regime change. On the contrary, 2022 marked an increase in the consolidation of Russian society around President Putin. According to the All-Russian Center for the Study of Public Opinion (VCIOM, 2023), there is a rise in trust in the head of the state compared to 2021 (78%, +13 percentage points) and approval of his activities (75%, +15 percentage points). Another significant indicator is the assessment of the legitimacy of the president’s work: the proportion of those who believe that Vladimir Putin acts in the interests of the majority grew to 73% in 2022 (an increase of 20 percentage points). The data from the public opinion polls conducted by the Levada Center–

an independent think tank that is known to be associated with Russia's opposition, has similar data on how Russians view their President as demonstrated by Fig. 6.8 (Levada Center, 2023),

Fig. 6.8 President Putin's Approval Rating, January 2010–September 2023 (*Source* Levada Center. https://www.levada.ru/en/ratings/)

There appears to be a mounting conviction within the Russian elite, even among those who were deeply troubled by the invasion, that the crucial interests, and possibly even the very existence, of the Russian state are at risk in Ukraine (Lieven, 2022). The belief that a negative economic impact on Russian oligarchs can influence the political direction of the Kremlin is rooted in outdated notions from the 1990s and is not aligned with the current reality (Afontsev, 2022). Even during the rebellion of the private military company "Wagner," the political system remained stable, the front was successfully defended, and both society and key political players rallied around the president. This is the assessment made within the president's administration at the end of the uprising by Yevgeny Prigozhin (Vinokurov, 2023).

Individual sanctions have not caused significant rifts within the Russian elite. Since the imposition of these sanctions, there have been few notable efforts by elite figures connected to Putin's Russia to distance themselves from the existing system. In the aftermath of the invasion, some of Russia's wealthiest individuals made efforts to express their opposition to the war publicly. For instance, Oleg

Tinkov, a billionaire banker, criticized the SMO as a “reckless conflict” on Instagram, and another oligarch, Mikhail Fridman, described the invasion of Ukraine as a “tragedy.” Some of the sanctioned oligarchs, including Aven and Fridman, have chosen to remain outside of Russia since the commencement of the war.

In contrast, others have renounced their Russian citizenship, including Tinkov, Yuri Milner, and Nikolai Storonsky. Several oligarchs, including the former owner of Chelsea Football Club, Roman Abramovich, have offered their assistance, whether publicly or in private, in facilitating negotiations between Ukraine and Western nations to avoid sanctions. Anatoly Chubais resigned from his role as Russian climate envoy and left Russia. Alexey Kudrin, a long-time Putin ally, stepped down as head of the country’s Audit Chamber to take the helm at the Russian tech giant Yandex. Both Chubais and Kudrin are considered softliners within the Kremlin, and their influence waned as hardliners gained prominence within the official hierarchy.

Consequently, their departure from the system may be motivated by factors other than sanctions. Additionally, billionaire Alisher Usmanov expressed his desire to step down from his membership in the bureau of the board of the Russian Union of Industrialists and Entrepreneurs, citing his retirement from active work (Snegovaya et al., 2023). Thus, the individual sanctions have not visibly fractured the Kremlin system. While Putin does not seem overly concerned about the possibility of disgruntled oligarchs undermining his regime, he did issue a public warning in March 2022, directed at those who own “villas in Miami or the French Riviera” (Grove, 2022) following some public criticisms of the war by certain oligarchs.

The continuing sanction pressure on Russia is likely destined to result in further confrontation between the West and Russia. In the words of the member of Russia’s Foreign and Defence Policy Council and the former director of the Carnegie Moscow Center, Dmitry Trenin (2023): “For the foreseeable future, the universe of Russia’s foreign policy will remain divided into two large parts: the house of foes including Europe, North America, and the rest of the Anglosphere, and the house of friends elsewhere. The dividing line between the two is a country’s position in relation to the sanction’s regime against Russia.” In the face of the current challenges, the primary domestic objectives, especially on the external economic front, are being addressed one way or another. Simultaneously, strategic frameworks for cooperation are being established with those partners who genuinely value their reputation and do not sacrifice the economy for political ambitions (Lavrov, 2023c). According to Sergey Afontsev (2022, p. 1227), Professor of MGIMO University and Head of the Department of

IMEMO RAS, continuing sanctions exhibit “the paradoxes of backlash and build-up of inefficient pressure.” The imposition of sanctions, which are intended to pressure the target country to alter its political direction, often results in a reinforcement of the target country’s determination not to change its course. Additionally, the realization of the ineffectiveness of sanctions by the sender country does not result in the abandonment of sanctions but rather an escalation in their severity.

Sanctions also served as a stimulus for deepening sovereignty, especially amidst the global shifts in the existing world order, the intensification of external threats, and the tightening of Western restrictions. The move towards the sovereign development of the country despite external pressures has been repeatedly emphasized by Putin, including during the first meeting with members of the Russian government in 2023, where he noted that sovereignty should not be equated with isolation. Russian leadership considers the strengthening of sovereignty, which forms the foundation of modern development, as one of the main achievements of sanctions.

Economic difficulties are also unlikely to lead to social or political unrest, especially because public opinion polls have shown that most Russian citizens do not feel that sanctions have affected their daily lives. According to the Levada Center survey, “a strong majority of Russians (70%) are not concerned by the sanctions imposed on Russia, while 29 percent of Russians remain concerned,” and the absolute majority of Russians (84%) note that “the sanctions have not created serious problems for themselves or their families” (Levada Baz et al., 2023; Center, 2023).

Drezner’s (1999) “sanctions paradox,” which suggests that sanctions imposed on allies tend to be more politically effective than sanctions against adversaries, may not appear as paradoxical as originally thought. Mostly, this is because an ally’s determination to resist or adapt to sanctions is much easier to predict since it is highly likely that allies have a political disposition similar to the sender. The situation with Russia and the West is almost the opposite. They have historically different political frameworks and, on many occasions, dissimilar political values and, therefore, political reactions that more often conflict than coincide. As a result, the Western sanctions policy is unlikely to achieve its political goals due to a poor understanding of the Russian “political mentality” and the inability to determine the pain threshold and assess Russia’s determination to counteract the sanctions (Papazian, 2023). Without a clear understanding of how countries are prepared to deal with the suffering from sanctions, sanctions policy is deprived of its political potential.

6.3 Countermeasures and Remedies

The sanctions' bounded effectiveness is due to Russia's prompt political and economic reaction, the size of the country, and the strengthening of its economic relations, especially with the third countries in the global economy (Mulder, 2023). Within the strict framework of restrictions, Russian businesses are moving to alternative markets for export and import. The reorientation of Russian businesses to new markets signifies not a mere adjustment in Russia's foreign economic policy but a massive change of the geoeconomic system to expand existing and build new trade and economic ties with friendly countries.

There are several reasons for Russia's resilience to sanctions imposed in 2022. First, due to the importance of Russian gas to Europe, there were no international sanctions on Russia's pipeline gas or liquefied natural gas (LNG) exports, and only the US and Australia have banned Russian LNG supplies. The other countries applied limited pressure by imposing export controls on technologies and services for existing and new gas operations (Mitrova, 2022). Additionally, some European energy companies seem to have acquiesced to Putin's demand to buy natural gas using a complex new payment system, which involves the creation of two accounts at Gazprombank and enables Europe to claim it is paying for gas in euros, while Russia can claim it is receiving payment in rubles.

Second, the first round of Western financial sanctions did not impact the transactions of the third largest Russian bank—*Gazprombank*, the leading bank serving Russia's energy sector. The reason for this was to keep energy prices stable. The sanctions were not imposed on *Rosneft*, the state-owned oil giant; *Sovcomflot*, the state-owned shipping firm; and other key companies in Russia's oil sector (Fishman, 2023). As a result, for several months in 2022, Russia could continue collecting revenues from its energy sector.

Third, due to high global energy prices at the beginning of the year and the continuing sale of Russian energy resources, Russia recorded substantial oil and gas revenues in 2022. Exports of oil and gas reached $333 billion in 2022 (63% of total goods exports), in which the share of crude oil accounts for $142 billion, oil products for $83 billion, and natural gas for $108 billion (Babina et al., 2023, p. 4).

Fourth, there are multiple loopholes in the design of sanctions, especially concerning the main source of Russia's state revenue–the export of oil and gas (Fubini & Prokopenko, 2023). Russia was able to redirect the flow of its energy to non-Western markets, with China and India replacing the EU as Russia's most important export markets for Russia's crude oil. In the fourth quarter of 2022,

China, India, and Turkey accounted for two-thirds of total Russian crude oil exports, compared to about 30% in the first quarter of 2021 (Babina et al., 2023, p. 9). Even in the import of military-related electronic components, there are some loopholes that can be exploited. It is important to note that not all components are subject to sanctions; in fact, the research by Byrne et al. (2022) at the Royal United Services Institute (RUSI) shows that the Russian military utilizes more than 450 distinct foreign-manufactured components, of which only 80 are subject to US sanction controls. Russia's dual-use commodity imports in 2022 were significantly higher than those prior to the outbreak of the war, as evidenced by data from various sources. For example, semiconductor imports increased from $1.82 billion to $2.45 billion, according to *Free Russia Foundation estimates*. However, in order to reach Russia, these shipments must now traverse a variety of suppliers and land corridors, which can be highly unpredictable and expensive (Bergmann et al., 2023; Bienkowski et al., 2023; Ivanova & Seddon, 2022). One legal loophole permits Russia to purchase these items under the pretense of dual-purpose use, meaning that the foreign components are used in the allegedly "peaceful" Roscosmos space exploration project (Sonnenfeld & Wyrebkowski, 2023).

Fifth, by implementing the import substitution policy and finding ways to access technology from non-Western sources, Russia can provide necessities in most sectors of the national economy. The sectors that have been most successful in import substitution are agriculture, the military-industrial complex, extractive industries, the pharmaceutical industry, and tourism. Despite the warnings from the US, several months after SMO, trade data shows that Russia continued to have access to crucial dual-use technologies such as semiconductors, reaching the country mostly from China and Hong Kong, according to *Silverado Policy Accelerator*, a Washington, DC think tank (Cole, 2023). While the direct sales of critical components plummeted from 45% in 2021 to 2% in 2022 (Bush, 2023, p. 14), Russia was able to import these components from third parties. Between March and December of 2022, Russia imported $20.3 billion in critical technology components used in military technology, 72 percent of which came from China, an increase from 22% during the same period in 2021. Besides China, eighteen other countries from Asia, Europe, and the Middle East supplied Russia with dual-use components (Bush, 2023). As an example, Russian airlines were able to acquire needed equipment through intermediates in countries that have not signed up to sanctions, such as China, the United Arab Emirates, Turkey, and the Central Asian states (Derber, 2023).

Sixth, the degree of integration and, accordingly, the dependence of Russia on the global financial system is much lower than that of the West, given that,

since 2005, the Russian Federation has been a net donor of financial resources, annually sending tens of billions of dollars to the West (Kuznetsov, 2022).

Seventh, the role of friendly to Russia countries proved to be crucial to Russia's resilience to sanctions. Under current sanctions, these third-party states are in no hurry to actively advertise their role. They are guided more by pragmatic rather than ideological interests. However, countries such as Turkey, India, China, and Iran have, to varying degrees, allowed Russia to diversify its external ties despite sanctions. Trade with them has increased significantly. For two consecutive years, China-Russia bilateral trade has increased by a third annually. According to preliminary data from the Federal Customs Service of Russia, in 2022, it amounted to $183.9 billion. Mutual trade with India reached almost 30 billion US dollars (Rudenko, 2023). The sanctions have spurred trade with India, expediting the shift towards using domestic currencies for transactions and encouraging collaborative efforts to build self-reliant transportation and financial infrastructure. As US-Chinese contradictions deepen, Beijing's role as a "sanctions buster" may increase.

By implementing secondary sanctions, the senders will increasingly force companies from third countries to choose between developing economic ties with Russia or continuing relations with the Western world. Large companies, even from friendly countries, will be forced to comply with restrictions. However, here are many examples of third countries adapting to Western pressure, such as using the Russian bank cards "Mir". Sanctions that keep coming no longer serve as a significant surprise to Russian companies and companies from friendly states, as they learned to function within the same framework as previously blocked firms, using national currencies in their transactions and independent supply chains and logistics schemes, not reliant on the US and its allies. If the 2022 restructuring often caused shock, doing business in 2023 is seen as a period of accumulating adaptational experience. Sanctions did cause harm and continue to distort normal market relations. However, companies continue to find alternative paths.

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7. Implications of Sanctions to the Rest of the World

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Abstract
This chapter delves into the repercussions of sanctions on both the sender states and third parties. The impact of sanctions on sender states has not been extensively explored in the existing research. Borozna and Kochtcheeva argue that due to the deep integration of Russia’s economy into the global trade system, the effects of sanctions against Russia are reverberating worldwide. The initial signs of these consequences are already evident, with rising energy prices, the closure of businesses in Europe, and increased food shortages in various parts of the world. This demonstrates that the impact of sanctions is not confined to Russia alone but extends to the sender states and even to nations that were not directly involved in imposing the sanctions. These sanctions contribute to shifts in global politics and alliances, particularly in the context of Russia’s strategic partnerships with non-Western actors.

Keywords Sanctions – Russia – Russian economy – Sanctions impacts – Sender states – Target states – Sanctions regime – Trade disruption – Secondary sanctions – Blowback effect of sanctions – Energy crisis – Food shortages – United States – Europe – EU – Asia – Post-soviet states – Belarus – China – Central Asia – Financial transfers – Currency

From the outset, the senders of sanctions, including the United States, have proclaimed that they "designed these sanctions to maximize the long-term impact on Russia and to minimize the impact on [themselves and their] allies" (Garcia, 2022, p. 1). However, as this chapter demonstrates, in a globalized economy sanctions impose costs on both the target and the sender, as well as the third parties. Sanctions tend to have unanticipated consequences, frequently leading to instability in global economic growth (Cafruny & Kirkham, 2020; Harrell, 2018; Lew & Nephew, 2018). Even the fear of sanctions does not go unnoticed by the senders and other actors since domestic enterprises doing business with the target countries may suffer economic losses (Crozet & Hinz, 2020). Disruption in trade could negatively impact both the sender and the target state, and that is not limited to states with strong trade relations. The cost of trade disruption is difficult to estimate in advance. While the senders of the sanctions can attempt to protect themselves from the harmful effect of sanctions on their economy, they cannot completely ensure that trade disruptions will be limited to those goods on their sanction list. One of the common responses of the targeted states is by disrupting trade in commodities that are important to the sender of sanctions. An influential target can pose challenges for those imposing sanctions, diminishing the chances of those sanctions achieving their intended goals.

Whether a state can endure the economic burdens of sanctions hinges on its capacity to discover alternative purchasers for its goods and alternative sources for its imports (Kavaklı et al., 2020). The damage incurred will be considerably less if the target's exports are in high demand globally, either because of their affordability or superior quality. When the state holds a substantial comparative edge in producing that particular commodity, it becomes simpler to identify new buyers. Similarly, if other global suppliers offer cost-effective or high-quality alternatives for the relevant goods, the process of import substitution becomes more feasible (Kavaklı et al., 2020). Reflecting on the impact of sanctions at the St. Petersburg Economic Forum, Putin noted that: "All attempts to introduce artificial restrictions lead to the fact that they begin to affect those who introduce them" ("Sanctions backfire," 2023).

Comprehensive and massive sanctions against Russia's "highly integrated econom[y]" means the "risks and costs of sanctions... affect more people around the world" (Mulder, 2022). Sanctions on Russia have already become a source of deepening divisions among the Group of 20 Countries, where even "greater international trade restrictions could reduce global economic output by as much as 7% over the long term, or roughly $7.4 trillion" (Hussein, 2023a, 2023b, p. 4),

causing risks for global economic development. Countries that rely on Russia for minerals, energy, food, or weapons worry about the effects of shortages and price increases on their domestic economic trajectories. Many countries in the global South are cautious about aligning themselves with the senders of sanctions in opposition to Russia mainly because they prioritize their own national concerns, such as their need for improved infrastructure, healthcare, and education systems, as well as response to climate change and access to technology (Rao, 2023). They view increasing global instability, both politically and financially, as a threat to addressing these pressing challenges and perceive that the geopolitical agendas of powerful nations frequently overlook the opinions of developing countries.

The forceful economic sanctions imposed by the West on Russia have already led to many consequences, such as increased food prices, affecting people distant from the Ukrainian conflict (Rao, 2023). Russia's role as a leading exporter of fertilizer, agricultural commodities, and oil renders developing states particularly vulnerable (Sacko & Mayaki, 2022). For instance, sanctions have contributed to shortages in food commodities and energy, as well as an increase in the price of commodities in Africa. Many African states have not imposed sanctions on Russia despite Western pressures. Importing and exporting with Russia has affected Africa's international relations since the West condemns such trading with Russia (Niyitunga & Adunimay, 2023). The escalation of sanctions against Russia, given its crucial role in the interconnected global economy, and the subsequent unintended repercussions, especially for developing nations, bring to the forefront significant foreign and fiscal policy considerations.

7.1 The United States

The United States has a negligent economic relationship with Russia, representing less than 3% of the annual U.S. exports and imports. Nonetheless, sanctions could have notable impacts on specific U.S. companies and industries engaged in business with Russia. For instance, there might be worries about the vulnerability of particular U.S. financial institutions to Russia, the accessibility of raw materials from sources outside of Russia, and the competitiveness of U.S. firms. There are also worries regarding the potential for reduced Russian energy supplies to increase gas prices, which could further worsen inflation (Nelson, 2022).

One of the main unintended effects of sanctions is the undermining of the U.S. dollar as a trusted reserve currency. The freezing of Russia's reserves in the

wake of the war in Ukraine prompted some countries to reconsider holding their reserves in the United States and Europe, leading to a trend of repatriating gold (Jones, 2023). China and Russia are progressively conducting their trade using the Chinese yuan, which supplanted the U.S. dollar as Russia's primary traded currency in 2023. Nearly 42% of all foreign exchange traded in the Moscow Exchange was in yuan, with a volume that more than tippled since 2022, accounting for 35.15 trillion rubles ($391.5) (Fabrichnaya & Marrow, 2024). The BRICS nations have agreed to increase the use of their respective local currencies in trade, aiming to decrease their dependence on the U.S. dollar. Critics in the developing world are growing concerned about the United States' capacity to wield the global influence of the dollar to impose sanctions on its adversaries (Hussein, 2023a). As the U.S. imposes more and more sanctions, the U.S. dollar is being weaponized, which can easily lead other countries to move away from using the U.S. dollar and could risk the international role of the dollar and SWIFT (Chorzempa, 2023). If de-dollarization initiatives gain momentum on a larger scale, it could lead to higher U.S. borrowing expenses and potentially diminish the effectiveness of sanctions as a policy tool (Nelson, 2022).

Currently, approximately 60% of foreign exchange reserves held by the world's central banks are denominated in U.S. dollars–a decrease from approximately 70% in 2000 and indicates a gradual change in the global financial system. Although the euro has seen a slight increase in its share since its introduction—from 18% to just under 20%—the Chinese currency, the renminbi (also known as the yuan), has seen the most significant growth since 2016, despite accounting for less than 3% of global reserves (Jha, 2023).

The application of secondary sanctions, as well as fines and criminal prosecution for violating American standards, made it possible to discipline a business, regardless of its country of origin. The West managed to achieve a large-scale psychological effect. However, the secondary sanctions are not being massively enforced so far, likely for fear of increased distrust in the American financial system and the U.S. dollar. The U.S. also continues its policy of enforcement measures in order to ensure compliance with existing sanctions modes. This brings about risks to persons and companies not only from third countries but also American citizens and companies (Sokolshchik, 2022).

According to the Quantitative Enforcement Database (OQED), managed by the Russian International Affairs Council, from January 1, 2009, to October 20, 2022, 262 individuals and legal entities were fined for sanction regime noncompliance. About 30% are represented by organizations operating in the financial sector, which, due to the specifics of their activities, face increased risk enforcement. Notably, 76% of those who have encountered this type of

enforcement measures for the period mentioned above were American companies or their joint ventures, who paid less than 5% of the total amount of fines, that is, about $260 million, while their European allies bear the brunt (Sokolshchik, 2022).

The U.S. Congress Research Service notes: "The sanctions could create (or deepen) fractures in the global economy, resulting in disparate economic blocs and schisms that could undermine the international rules-based economic order that the United States has prioritized since World War II" (Nelson, 2022). While the U.S. may view sanctions as a cost-effective strategy, it is essential to acknowledge that these measures can have significant unintended consequences, sometimes even to the detriment of American interests.

7.2 Europe

Sanctions have unquestionably inflicted substantial damage on Europe. Europe's most prominent companies lost at least 100 billion euros in direct losses from their operations in Russia since Russia's invasion of Ukraine (Hollinger et al., 2023). In May 2022, Germany registered its initial monthly trade deficit since 1991, and the U.K. reported its most substantial trade deficit since 1950s. Before the conflict, Europe was already contending with energy shortages and elevated prices, and the sanctions notably intensified these challenges (Partington, 2022). The E.U.'s urgent effort to reduce its reliance on Russian energy sources, including natural gas transported through pipelines critical for electricity generation and home heating during the winter, has plunged the region into a severe energy crisis (Pachymuthu, 2022). The E.U. has been compelled to adopt measures such as power conservation, demand reduction, financial assistance to manage energy prices, diversification of supply sources, and reevaluating its entire green energy transition strategy.

The survey of annual reports of 176 European companies conducted by *The Financial Times* showed various degrees of losses from their operations in Russia due to sanctions, among which the most significant losses were among oil and gas companies. BP, Shell, and TotalEnergies together had written down 40.6 billion euros. However, higher oil and gas prices allowed these companies to still show profits for 2022 (Hollinger et al., 2023). In the European auto sector, eleven carmakers collectively incurred charges amounting to 6.4 billion euros. Renault wrote off 2.3 billion euros following the sale of its Moscow plant and stake in Russia's Avto Vaz in May 2022. Volkswagen reported a write-down of 2 billion euros, and in May, Moscow approved the sale of V.W.'s local assets, including a plant employing 4,000 people. These assets were still valued at 111.3

billion rubles (1.5 billion euros) in 2022 (Hollinger et al., 2023).

The economic repercussions of the sanctions on Russia have been "devastating" for the German economy, with economic prospects for 2023 being "disappointing" and the automotive industry continuing to suffer from decreased manufacturing output. AfD co-leader Tino Chrupalla accused Germany's Economic Minister Robert Habeck of declaring "economic war" on Moscow but waging war instead on the German population ("Germany: Far-right demo," 2022). German Member of the European Parliament, Uwe Schulz, has warned that the European Union's sanctions policy against Russia is having a detrimental effect on the E.U.'s largest economy, leading to a further decrease in economic activity and a shift towards de-industrialization. Schulz, a member of the AfD, a right-wing political party, has stated that the punitive measures have not had a significant impact on Russia but have had a devastating effect on the German economy. The economic sanctions supported by the governing coalition of the Social Democratic Party, Greens, and Free Democratic Party are leading Germany and its economy in the direction of de-industrialization, which is the reason that the Russian Federation has overtaken Germany's $5 trillion economy in the ranking of world's leading economies in 2022 (World Bank, 2022; Leiroz, 2023).

The German chemical and automotive industries experienced significant losses due to Russia's reaction to sanctions, which included expropriating German assets in the country. In total, eleven car manufacturers incurred losses of 6.4 billion euros due to the sanctions and Russia's countermeasures (Hollinger et al., 2023). Stefan Wolf, the leader of the Federation of German Employers' associations in the metal and electrical engineering industries, has declared that Germany's economy has become uncompetitive and has been made the "sick man" of Europe. Wolf has predicted that the country could enter a recession in the latter half of 2023. In response to the E.U.'s largest economy being subject to multiple rounds of sanctions imposed by Brussels, Russia has responded by drastically reducing fuel deliveries and introducing a new system of payments based on the ruble. Prior to this, Germany had relied on Russia to meet 40% of gas demand and around a third of oil needs ("Anti-Russia Sanctions," 2023). Germany's industrial sector consumes almost double the amount of energy compared to the next-largest sector in Europe, and its consumers have a significantly larger carbon footprint than those in France or Italy. However, with the imposition of sanctions on Russia and Europe's shift towards cleaner energy sources, cheap Russian gas is no longer a viable option. This situation poses a significant threat to the competitiveness of German manufacturers ("Is Germany once again," 2023).

Besides the devastating blowback effect of sanctions on Russia on Germany's economy, the policies of the German government that made the sanctions regime possible resulted in the rise of far-right ideology in Germany. In a district council election held in the eastern German city of Sonneberg last month, the far-right Alternative for Deutschland (AfD) emerged victorious. The party has traditionally been associated with anti-EU and anti-immigration policies. It has traditionally been strongest in East Germany, a region that has been characterized by economic hardship and a sense of inferiority since the end of the Cold War. Nevertheless, the AfD has seen its approval ratings rise significantly since September 2021, when it received 10 percent of the vote in national polls. Currently, the party has a 19 percent approval rating, placing it second only to Chancellor Olaf Schollz's Social Democrats, who have a 20 percent approval rating (Loftus, 2023).

European utilities experienced a significant financial loss of EUR 14.7 billion, while industrial firms, including automotive manufacturers, incurred a loss of EUR 13.6 billion. Financial firms, including banks, insurers, and investment firms, incurred an additional EUR 17.5 billion in write-offs and other charges (Hollinger et al., 2023).

B.P. reported a charge of US$25.5 billion, while TotalEnergies took longer to report a US$14.8 billion total cost. The French group has yet to report a write-down of its 20 percent shareholding in Yamal LNG. Three days after the invasion, B.P. announced that it would divest its 19.7 percent stake in Russian oil giant Rosneft (Hollinger et al., 2023). In January, Germany's Wintershall dea reported that the expropriation of their Russia business by the Kremlins had resulted in a write-off of EUR 2 billion from its accounts. In 2022, Uniper, which received a financial rescue from the German state, reported impairments of EUR 5.7 billion, with Finland's Fortum taking a hit of EUR 5.3 billion (Hollinger et al., 2023).

London, despite its outspoken stance against Russia, has not imposed a ban on its manufacturers for exporting mining and fossil fuel extraction equipment to Russia, which includes companies like Hill & Smith, which asserted that it had no direct ties to Russian customers. Nonetheless, one of its subsidiaries, Bergen Pipe Supports (India) Private Limited, continues to provide pipe support for securing gas pipelines to Russia's Arctic LNG-2 project. However, these transactions are reflected in the export statistics from India rather than the U.K., effectively concealing the origin of these trade decisions to avoid direct British involvement (Saunders & Greenwood, 2023).

The E.U. countries are having difficulty offsetting the economic losses caused by sanctions against Russia. This primarily affects the energy and raw

materials sectors, with the substantial rise in prices for these resources significantly harming the industrial sector. Some European countries have national interests that have hindered the E.U. from imposing a ban on importing critical Russian products, including diamonds and steel. The European industry is increasingly falling behind its competitors. High state subsidies in the E.U. began during the pandemic and continued during the sanctions period. These subsidies contribute to the growth of national debt and further exacerbate inflation. The combination of inflation and recession leads to an economic crisis in Europe, which can persist for many years.

7.3 Asia

Across Asia, reactions to the war in Ukraine differ, but it is predominantly perceived as a European regional conflict. According to Frederick Kliem (quoted in Ratcliffe, 2022), a researcher at the Rajaratnam School of International Studies in Singapore: "Countries in south-east Asia, and actually many countries around the world, are not buying into the notion that this is a sea change in international relations and that Russia is the enemy. They say, look, if there is cheap oil and cheap gas and good trade deals to be made with Russia at this point in time, then of course we're going to do it, and who are you to tell us not to?" Many Asian countries that remained officially neutral and did not join the sanctions coalition stand to benefit from the increased trade with Russia or enjoy indirect spillover effects. Leaders in the region may be inclined to welcome trade agreements with Russia, recognizing that Moscow is unlikely to impose sanctions in response to concerns related to authoritarianism (Ratcliffe, 2022).

China emerged as one of the primary beneficiaries of the international sanctions imposed against Russia starting in 2014. In the aftermath of the Ukraine crisis and the implementation of Western sanctions, the Russian government enabled Chinese investors to acquire majority shareholdings in major energy projects, thus further consolidating its strategic relationship with China (Borozna, 2022, p. 44). In the wake of the war in Ukraine, Chinese exports to Russia have grown, with most growth related to technology products and vehicles. China, India, Malaysia, and Singapore have significantly increased purchases of Russian oil, and companies in the West have increased their imports of oil products that these economies derive from Urals crude (Fubini & Prokopenko, 2023). India has become the single largest buyer of Russian crude oil transported by ses, buying more than 1.4 million barrels daily since the beginning of 2023 (Mulder, 2023). Within the Western price cap coalition, the E.U. emerged as the largest importer of oil products from these Asian countries,

with imports totaling EUR 17.7 billion. The PetroChina Dalian refinery in China is one of the world's largest receivers of Russian crude oil, facilitated by its pipeline connection to Russia (CREA, 2023). Asian demand has effectively made up for the decline in European oil exports.

In May of 2022, Thailand stated that it intends to enhance bilateral trade with Russia, to achieve an annual trade volume of $10 billion. Thailand also relies heavily on tourism as the primary driver of its economy, and it anticipates welcoming around one million tourists from Russia. Moscow is also interested in increasing its imports of Thai rice, fruit, cars, and car parts and is also considering investments in technology in Thailand (Wancharoen, 2022). Vietnam, Indonesia, and Malaysia did not support the anti-Russian sanctions and agreed to remain neutral towards the crisis in Ukraine. Malaysian Prime Minister Ismail Sabri Yaakob (2022, quoted by *China Daily*) noted: "We recognize restrictions that could be imposed only by the U.N. Security Council." Russia is an exporter of weapons, defense armaments, and fertilizer, which is crucial in oil palm farming and is one of Malaysia's most significant sectors of the economy.

Asian countries are concerned about rising inflation, particularly in increasing energy and food prices. While Russia might offer some assistance in these areas, governments in the region are still exercising a lot of caution due to concerns about secondary sanctions. Moreover, the restriction of Russian financial institutions from using the Swift system could pose complications for transactions with Russia. Vietnam has attempted to maintain a neutral stance in the war. However, Vietnam heavily depends on Russia for the supply of crude oil, natural gas, and military equipment, and the ongoing conflict has also affected its exports to Russia, leading to disruptions in logistics and payment processes (Ratcliffe, 2022). However, some Vietnamese companies have reduced or completely stopped buying Russian goods, as they fear secondary sanctions from Western countries and do not want to risk losing trade opportunities with Western partners.

Additionally, Russian-Vietnamese relations were damaged when the Vietnamese government postponed the construction of many large industrial facilities, which had contracts with Russian companies (Mazyrin & Burova, 2022). In another example, the assets of the two Indian companies were frozen in response to their trade with Russia's diamond trader Alrosa. This was the first instance of any Indian businesses being subject to sanctions since the Russian invasion of Ukraine in 2022 (Acharya, 2023).

The Asian countries that imposed sanctions on Russia, including Japan, South Korea, Taiwan, and Singapore, demonstrate mixed outcomes. Tokyo's unwavering stance against Russia's military operation in Ukraine led to

Moscow’s withdrawal from negotiations aimed at establishing an official peace treaty on March 22, 2022. Japan was among the earliest countries to be classified as “unfriendly” by Russia, as well as receiving counter-sanctions, including a significant decision in May 2022 to indefinitely prohibit 63 Japanese citizens from entering Russia, which notably included the Prime Minister among those affected. Many Japanese businesses had financial losses due to sanctions and many companies that had a strong dependence on the Russian market stopped investments and advertising (Khoma & Nikolaieva, 2023).

South Korea has a material interest in continuing positive ties with Russia. However, recent actions signal a willingness to align with the West in opposition to the war in Ukraine at the expense of ties with Russia. Under pressure from the U.S., South Korea has joined in international economic sanctions. However, it stays relatively neutral regarding sanctions due to security concerns. It also provides minimal aid to Ukraine due to the worries that this may provoke Russia to align with and provide armaments to North Korea (Rinna, 2023).

Singapore is the only ASEAN member to directly impose sanctions on Russia; however, the weakening cooperation on sanctions with main senders plays well with Russia’s narrative of sanctions as Western-led efforts, which are lacking broad participation and support. Additionally, Singapore’s lax oversight of noncompliance with sanctions also hampers the effectiveness of these measures in constraining Russia’s ability to benefit from seaborn oil sales. Singaporean ports received more than twice the volume of Russian light crude and fuel oil in December 2022 compared to December 2021 (Lin, 2023). Reportedly, domestic oil traders can achieve a significant profit margin of nearly 20 percent by mixing Russian fuel components purchased under a price cap with other sourced fuel and selling a blended fuel oil product at market prices (Lin, 2023).

Overall, Asian economies have served as alternate export destinations for Russian goods and fresh avenues for imports. However, Asian countries demonstrate mixed results and experiences as they are either benefitting or being affected by the sanction regime.

7.4 Post-soviet States

Many post-Soviet states have been seriously impacted by the economic sanctions imposed on Russia, but none suffered more than Belarus, which has become the biggest receiver of Western sanctions due to its close ties to Russia. Sanctions on Belarus are similar to the restrictions imposed on Russia and involve a whole range of measures, including an embargo on a considerable portion of Belarusian

exports and imports, restrictions on the transportation of goods of Belarusian origin, limitations and prohibitions on financial operations, and settlements, freezing parts of Belarus's international reserves, and various actions to restrict and block banks, companies, and individuals. These sanctions, along with continuing changes in the regional and international situation, have had significant indirect effects as well. Foreign companies also exited the Belarusian market and refrained from conducting business with Belarusian counterparts (Kruk & Lvovskiy, 2022). According to the Belarus First Deputy Prime Minister, Nikolai Snopkov, 2022 proved to be "a test of resilience" when sanctions directly impacted a quarter of the economy and indirectly affected all other sectors (Snopkov cited in Belarus Council of Ministers). However, despite the initial estimates of the impact of the sanctions on the economy being around minus 20%, the actual GDP contracted by 4.7% in 2022. In 2023, GDP growth rates are recovering. In the first four months, it reached 99.4% of the previous year's level (Belarus Council of Ministers, 2023).

Several post-soviet states saw a significant increase in capital inflow from Russia, primarily driven by the desire to find a safe haven amidst the sanctions affecting the Russian banking sector. This influx was partly associated with the migration of individuals and businesses. In 2022, net financial transfers from Russia to Armenia, Georgia, and Azerbaijan surged more than fivefold, while Tajikistan and Uzbekistan experienced a twofold increase. As a result, the foreign exchange markets of these countries came under pressure, leading to the strengthening of their national currencies (Karapetyan, 2023). There were various predictions by economists and observers that sanctions on Russia would result in an economic decline in Central Asian and South Caucasian countries. However, despite the dire predictions, some countries recorded economic growth rates. Their economies grew on average by 4.8 percent in 2022, with growth rates ranging from 12.6% percent in Armenia to 3.2 percent in Kazakhstan, which reflects oil production disruptions, and 1.8 percent in Turkmenistan (IMF, 2023c). A major error was assuming that the pathways through which the Russian economy affects other nations would remain unaffected. Russian imports were shifted to non-sanction import sources, such as Central Asian countries, and consumer goods were imported to Russia at a premium price from export countries (Fubini & Prokopenko, 2023). The adjustments made to accommodate shifts in trading routes and overcome various logistical obstacles since the beginning of the conflict in Ukraine have led to a rise in Central Asian trade with Russia (IMF, 2023c). For instance, the exports from Armenia to Russia increased by $1.6 billion, which ensured an increase of more than 50% in Armenia's exports (Karapetyan, 2023).

Sanctions against Russia produced a massive outflow from Russia of various professionals to the neighboring countries, which has boosted the housing market and prices of the services sector in hosting countries. Account balances notably improved across most Central Asian countries, signifying a higher surplus in services, especially in Armenia and Georgia, as tourism rebounded, as well as higher income transfers in most oil importers and higher oil prices in oil exporters such as Azerbaijan and Kazakhstan (IMF, 2023c). In 2022, a less severe than anticipated economic downturn in Russia, along with significant income, capital, and migrant inflows from Russia to neighboring nations, as well as increased transit trade, had a positive impact on growth. However, because of the small relative size of Central Asian economies, a reversal of inflows, supply chain disruptions, or lower remittances could mean a negative outlook for their economies in the near future (IMF, 2023c; Souleimanov & Fedorov, 2023).

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8. Conclusion

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Abstract
This chapter serves as the concluding chapter, summarizing the book's key findings regarding the objectives and outcomes of sanctions and discussing the implications of these arguments for Russia's future interactions with the international community. Borozna and Kochtcheeva underscore that Russia has developed adaptive strategies, which allowed Moscow to endure the sanctions and make Russia less vulnerable to their impact. This does not mean that sanctions have absolutely no effect; they undeniably cause economic hardships in the Russian economy. However, the primary political objectives of sanctions, which were aimed at changing Russia's foreign policy direction, have not been achieved. These sanctions are anticipated to have long-lasting consequences, not only for Russia but also for broader international trade and international relations. One of the main achievements of Western sanctions on Russia was making Russia acknowledge its overreliance on the West. This pressure led Russia to recalibrate its development trajectory, emphasizing policies like import substitution and fostering domestic economic growth. The imposition of sanctions on Russia and the global response to these sanctions also made evident the increasing division of global geopolitics between the Western alliance, the Chinese-led block, and a third group of emerging countries that has yet to decide on a course of action.

Keywords Sanctions – Russia – Western sanctions – Anti-Russian sanctions – Strategic goals – Conflict – Sanctions effectiveness – Foreign policy – Political course – National development strategy – Response to sanctions – Resistance to sanctions – Securitization – Sanction busting

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Sanctions, a preferred method of exerting pressure without resorting to military force, have become an integral part of political conflicts on the international stage. The primary actors in this context are states that use sanctions to achieve their goals in a conflict situation, which include compelling the target country to alter its foreign or domestic policies, limiting the capabilities of the target country, and isolating it from specific financial and material resources. While the use of economic sanctions to achieve political goals has been a component of international politics for a considerable time, with the methods of their application continually evolving, it was the post-Cold War era that witnessed a significant surge in their application, particularly by the United States, which commonly puts pressure on its allies and other states into serving the U.S. sanctions strategy, even if it goes against their interests.

Extensive analyses have been conducted to evaluate whether sanctions have succeeded or failed in attaining their intended political objectives. Proponents of sanctions contend that these measures should be considered as a unique policy option. Evaluating their success or failure without comparing them to alternative approaches might not fully capture their purpose. However, numerous arguments have been made against the effectiveness of sanctions, especially unilateral ones, asserting that they seldom yield positive results, can be ethically questionable in various cases, and may lead to unintended repercussions. Decisions made amid sanctions confrontations frequently result in outcomes that deviate significantly from the originally intended goals, and in most instances, they only intensify the conflicts that prompted the initiation of the sanctions confrontation and impose costs on entities that are unrelated to these conflicts. Moreover, it has been proposed that economic sanctions have limited utility in the present era, as modern states are typically less fragile and susceptible to their impact.

This book demonstrated that Russia had not been discouraged by sanctions in its pursuit of political goals. The preexisting (2014–2021) and new (2022–onward) sanctions did not compel Russia to change its foreign policy course concerning Ukraine. Notwithstanding the costs to economic and financial activity, Russia has continued its political course while sustaining domestic elite and popular support. While many policymakers in the West did not anticipate the protracted nature of the war in Ukraine, sanction pressure on Russia to change its

political course is destined to result in further confrontation. Moreover, the question of the connection between the stated goals for imposing sanctions and their actual effects on economic and political developments in both the targeted nation and the sender states, as well as in third countries inadvertently affected by the external consequences of the sanctions, has never been so pressing.

The tightening of anti-Russian sanctions following the annexation of Crimea and the rebellion in Donbas proved once again that the results of sanctions are difficult to forecast. Instead of the desired suffocation of the Russian economy, substantial public unrest, and subsequent regime change, sanctions have aided in enhanced operation and strengthening of Russia's ideologically fortified response to economic distress. In 2014–2021, Russia adapted to Western sanctions while trying to avoid additional and secondary sanctions. The successful, mostly state-led anti-sanction actions lessened the decline of the economy, focused on domestic resources, exercised control over macroeconomic measures, and adjusted economic policy to closer relations with non-Western countries. At the same time, some businesses, especially in the banking sector, managed to avoid risks by refusing to work in Crimea. While the Russian economy experienced some weakening during this period, the impact was not exceedingly substantial. Russia also implemented measures to mitigate this impact and prepared itself during this period for the expected imposition of a more comprehensive set of sanctions in the future. On the political front, the sanctions did not compel Russia to alter its goals. The Minsk Agreements and subsequent negotiations did not yield a resolution, and while a full-scale war was postponed, it was not averted. The global repercussions of the sanctions between 2014 and 2021 were also limited, as an incremental strategy with a restricted scope allowed the international financial, trade, and geopolitical framework to adjust to the circumstances.

The start of military operation in Ukraine in February of 2022 and the subsequent avalanche of sanctions directed against Russia radically changed the sanctions paradigm. Western scholars and policymakers continue to emphasize not simply the need for more sanctions but also more enforceable and more decisive measures. The coalition of sanctioning states demonstrated a high level of coordination and consolidation of the restrictive policies of Washington, London, and Brussels. In the West, such close-knit and coordinated action has not been observed over the past few decades. Even during the Soviet times, there were noticeable differences between the approaches of the United States and Western Europe. Now, Europe even overtakes America in the intensity of restrictive measures. More than 35 states participated in imposing sanctions on Russia, which, on the one hand, demonstrates the unity of the West against

Russia but, on the other hand, reveals that the rest of the world is not on board with Western sanctions, allowing Russia to diversify its customers and suppliers, and thus surviving the heavy blow of the sanctions.

The United States and the European Union were the most active in expanding the scope and severity of sanctions and restrictions. The initiators of sanctions employed similar methods in implementing sanctions. They all utilized sanctions that targeted particular individuals, applied comparable sanctions on logistics and transportation, imposed similar blocking sanctions, and compiled analogous lists of sanctioned legal entities. While sanctions in the previous years targeted mostly Russian oligarchs, specific sectors of the economy, and the authorities, the sanctions in 2022 were more comprehensive in scope. A broad range of entities and activities faced scrutiny and restrictions, extending even to Russian culture. This included canceling opera performances with Russian singers, altering the national identity of renowned Russian painters, and even prohibiting participation in seemingly unrelated events like cat and oak tree competitions. For the first time in history, Russian culture became subject to prohibitions and the threat of its "cancellation" in the West.

There was also a commonality of strategic goals among the senders, including the displacement of Russian raw materials from their market. While there are some discrepancies regarding the lists of blocked persons or specific prohibitions, they are insignificant. The politics of sanctions against Russia after its war in Ukraine showcased the deployment of almost all possible restrictive instruments. However, how sanctions were applied might point to a reason for their ineffectiveness. Instead of gradually accumulating the severity and quantity of measures, the West desired to inflict the maximum possible damage to force Russia's economic collapse. Many strong sanctions were imposed in the first few days after the invasion, including the freezing of Russian foreign reserves, the ban on SWIFT, and the closure of airspace to Russian aircraft. This almost total blockade from the West left no room for negotiation and forced Russia to completely reorient itself towards non-West, build new partnerships, and strengthen the existing ones.

After the start of the wave of sanctions, the Russian state financial authorities reacted effectively, especially in terms of interest rate control and the availability of liquidity in the economy. Panic was avoided, and speculative sentiments were contained. Unprecedented sanctions, while bringing noticeable pain, failed to break and isolate the Russian economy. In early 2022, the Russian economy successfully averted a worst-case scenario that could have resulted in a more severe recession. Increased energy prices and the failure of the U.S. and E.U. to

ban Russia’s imports immediately, spreading the introduction of restrictions over several months, gave Russia an advantage to adapt. The combined Western sanctions imposed on Russia and Western companies voluntarily suspending or limiting trade have resulted in a significant overhaul of domestic and international trade. Changing energy export routes from Europe to China and India was necessary and not without losses. Russia has effectively broadened its parallel import activities from new markets to respond to these changes.

Moreover, the existing international system of international settlements is changing. The dominance of the dollar and the euro, which is the main factor that gives the U.S., and now the E.U., the possibility of massive sanction pressure is questioned. Nonetheless, overall, Russia’s economy survived, and despite the negative impact of sanctions, certain opportunities have emerged for specific sectors and individual entrepreneurs. The primary outcome is that due to the sanctions, major European competitors are leaving high-tech and narrowly specialized industries where they previously dominated due to established brands.

Russia views its confrontation with the West as existential–the fate of Russia, its borders, its position in the world, and the very question of its further existence will be determined by the outcome of this confrontation, and that is why Russia’s ability to adapt to sanctions and reorient itself toward the non-West is crucial to Russia’s future. In this vein, Asian economies have played a significant role in mitigating the impact of Western sanctions on the Russian economy. They have acted as substitute suppliers to Russia, becoming substantial new customers for Russian commodity exports and influencing global oil prices. This has helped Russia maintain its economic stability despite the sanctions reducing its growth potential. The involvement of countries like Japan, South Korea, Taiwan, and Singapore in financial and technology sanctions has had limited effects due to Russia' ties with non-Western economies, especially in manufacturing and energy trade. China and India, along with some Middle Eastern and Central Asian economies, have been the primary forces in blunting the impact of these sanctions. The extent of Russia’s alignment with China is of particular significance, as Beijing is entering into a strategic confrontation with the United States. As a result, these geoeconomic realities are likely to complicate the future use of sanctions by Western nations.

In addition, along with purely economic consequences, there are political and reputational costs. From the point of view of domestic politics, sanctions often lead to the consolidation of the political system, even increasing centralization of power, in the face of external challenges. Contrary to the ideological attitudes of the senders, sanctions, as a rule, do not lead to regime and massive societal

change or democratization (Grauvogel & Soest, 2014). Sanctions-induced rally-around-the-flag further produce the sanctions paradox (Drezner, 1999) when the escalation of sanctions does not lead to political concessions. The economic harm from sanctions affects the people in the target country; however, ultimately, development issues run into issues of national security and sovereignty. Russia has impressive resources, including human, natural, industrial, scientific, and so on. The question is in their management and the remaining ties to the global economy. While The government has been focusing on socio-economic policy, it pursued pragmatic policy in Russia's relations with the West. Western sanctions on Russia made it clear that this policy turned out to be flawed. Russia's final break with modern Western liberalism raises the question of the necessity of the Russian national idea. There are serious efforts among Russian intellectuals to comprehend Russian history and to compile a set of the most important values.

Sanctions also challenge the prospect of international cooperation, even in areas where the interests of the senders and targets objectively coincide. Indeed, one of the significant features of modern sanctions, as manifested in the example of anti-Russian sanctions, is their ability to influence national development strategies and foreign policy ambitions, revealing the long-term reduction of cooperation ties. In the case of anti-Russian restrictions of the U.S., E.U., and other countries, sanctions and responses to them contribute to the restructuring of production and supply chains, import substitution, and diversification of external partners. One of the main achievements of Western sanctions on Russia was making Russia acknowledge its overreliance on the West. This pressure led Russia to recalibrate its development trajectory, emphasizing policies like import substitution and fostering domestic economic growth. While economic sanctions impose constraints on the Russian economy, the main problem for Russia is the exhaustion of the current economic model, based mainly on the exploitation of natural resources.

In contrast to the period from 2014 to 2021, the sanctions imposed after 2022 revealed a clear priority of political goals over economic rationality and have had notable effects on the countries imposing them, which were not entirely foreseen. Over the last thirty years, Russia has been trying to be closely integrated into the world economy. Now, it is evident that the West will take a long-term course of squeezing Russia from the world markets for raw materials, weapons, and food. The rupture of ties inflicted by sanctions will bring losses and economic pain to the initiators of sanctions as well. While the U.S. economy has been affected, primarily due to increased energy prices, high inflation, and escalating interest rates, the impact on the E.U. economies has been most pronounced, given their closer trade and financial connections with Russia. An

economic recession is now a significant concern, and a substantial reconfiguration of political, economic, and security structures is already in progress. These sanctions and counter-sanctions have additionally produced a global effect and have posed severe economic challenges for many developing nations.

As countries across the globe anticipated an economic recovery following the COVID-19 pandemic, the sanctions worsened the prevailing global economic difficulties. These challenges included heightened inflation in areas including energy, food, and fertilizers, increased input costs, a combination of supply-side and demand-side shocks, tightening global financial conditions, a slowdown in trade growth, and ongoing disruptions in supply chains. Many countries in Asia, Africa, and Latin America, motivated by their national economic interests, have refrained from endorsing Western sanctions while still enduring the unwanted side effects of sanctions.

The imposition of sanctions on Russia and the global response to these sanctions also made evident the increasing division of global geopolitics between the Western alliance, the Chinese-led block, and a third group of emerging countries that has yet to decide on a course of action. Russia, alongside Iran and China, as well as other nations experiencing strained relations with the United States, is increasing its efforts to enhance economic resilience against sanctions. The objective of these measures is not to evade sanctions but rather to proactively reduce their impact to the point where financial sanctions are nearly ineffective. Examples of such measures include efforts to de-dollarize the economy, the creation of alternative banking systems to SWIFT, and the development of digital currencies for central banks. In addition to diminishing the efficacy of sanctions, such measures could create financial channels that remain outside of the control of the West. The emergence of a non-Western financial system is a matter of time, considering the emergence of new centers of global power that would eventually seek to establish their own financial networks.

The comprehensive consequences of sanctions and counter-sanctions are still developing, and assessing their role in attaining economic and political goals will require a prolonged period to draw appropriate lessons. Nonetheless, it is certain that the likelihood of increased and more frequent deployment of such a sanction weapon will shape the evolving global geopolitical, military-strategic, economic, and policy environment.

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